
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **June 30, 2009**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number **1-5231**

McDONALD'S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

36-2361282
(I.R.S. Employer
Identification No.)

One McDonald's Plaza
Oak Brook, Illinois
(Address of Principal Executive Offices)

60523
(Zip Code)

(630) 623-3000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

1,091,348,341

(Number of shares of common stock
outstanding as of June 30, 2009)

McDONALD'S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and equivalents	\$ 2,160.6	\$ 2,063.4
Accounts and notes receivable	930.5	931.2
Inventories, at cost, not in excess of market	102.6	111.5
Prepaid expenses and other current assets	403.3	411.5
Total current assets	3,597.0	3,517.6
Other assets		
Investments in and advances to affiliates	1,129.2	1,222.3
Goodwill	2,339.4	2,237.4
Miscellaneous	1,387.4	1,229.7
Total other assets	4,856.0	4,689.4
Property and equipment		
Property and equipment, at cost	32,210.4	31,152.4
Accumulated depreciation and amortization	(11,456.3)	(10,897.9)
Net property and equipment	20,754.1	20,254.5
Total assets	\$ 29,207.1	\$ 28,461.5
Liabilities and shareholders' equity		
Current liabilities		
Notes payable	\$ 50.0	
Accounts payable	489.8	\$ 620.4
Income taxes	100.2	
Other taxes	260.0	252.7
Accrued interest	179.3	173.8
Accrued payroll and other liabilities	1,306.6	1,459.2
Current maturities of long-term debt	457.6	31.8
Total current liabilities	2,843.5	2,537.9
Long-term debt	10,492.9	10,186.0
Other long-term liabilities	1,539.9	1,410.1
Deferred income taxes	1,086.2	944.9
Shareholders' equity		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none		
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	4,697.9	4,600.2
Retained earnings	29,927.3	28,953.9
Accumulated other comprehensive income	395.2	101.3
Common stock in treasury, at cost; 569.3 and 545.3 million shares	(21,792.4)	(20,289.4)
Total shareholders' equity	13,244.6	13,382.6
Total liabilities and shareholders' equity	\$ 29,207.1	\$28,461.5

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues				
Sales by Company-operated restaurants	\$3,850.2	\$4,296.0	\$ 7,334.9	\$ 8,294.8
Revenues from franchised restaurants	1,797.0	1,779.3	3,389.7	3,395.3
Total revenues	5,647.2	6,075.3	10,724.6	11,690.1
Operating costs and expenses				
Company-operated restaurant expenses	3,159.3	3,535.2	6,079.8	6,874.8
Franchised restaurants – occupancy expenses	318.0	315.3	614.7	615.1
Selling, general & administrative expenses	531.5	598.7	1,028.8	1,151.1
Impairment and other charges, net	1.2	0.5	2.4	1.0
Other operating (income) expense, net	(44.3)	(28.6)	(83.0)	(68.9)
Total operating costs and expenses	3,965.7	4,421.1	7,642.7	8,573.1
Operating income	1,681.5	1,654.2	3,081.9	3,117.0
Interest expense	119.3	146.3	240.2	274.8
Nonoperating (income) expense, net	(12.0)	(30.8)	(28.4)	(59.7)
Gain on sale of investment	(17.8)	(160.1)	(94.3)	(160.1)
Income before provision for income taxes	1,592.0	1,698.8	2,964.4	3,062.0
Provision for income taxes	498.3	508.3	891.2	925.4
Net income	\$1,093.7	\$1,190.5	\$ 2,073.2	\$ 2,136.6
Net income per common share–basic:	\$ 1.00	\$ 1.05	\$ 1.88	\$ 1.88
Net income per common share–diluted:	\$ 0.98	\$ 1.04	\$ 1.85	\$ 1.85
Dividends declared per common share	\$ 0.50	\$ 0.375	\$ 1.00	\$ 0.750
Weighted-average shares outstanding–basic	1,097.3	1,128.9	1,103.4	1,137.2
Weighted-average shares outstanding–diluted	1,111.4	1,148.8	1,118.2	1,157.1

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Operating activities				
Net income	\$ 1,093.7	\$ 1,190.5	\$ 2,073.2	\$ 2,136.6
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	304.4	314.3	586.6	619.0
Deferred income taxes	38.8	(33.7)	89.1	(20.9)
Gain on sale of investment	(17.8)	(160.1)	(94.3)	(160.1)
Share-based compensation	29.6	25.7	60.0	60.8
Other	(8.0)	13.1	73.0	52.6
Changes in working capital items	(20.6)	(87.8)	(236.8)	52.5
Cash provided by operations	1,420.1	1,262.0	2,550.8	2,740.5
Investing activities				
Property and equipment expenditures	(434.4)	(482.0)	(848.1)	(887.1)
Purchases and sales of restaurant businesses and property sales	24.2	109.0	78.3	181.4
Proceeds on sale of investment, net	125.3	229.4	135.1	229.4
Other	(18.0)	(30.8)	(36.8)	(15.6)
Cash used for investing activities	(302.9)	(174.4)	(671.5)	(491.9)
Financing activities				
Notes payable and long-term financing issuances and repayments	276.9	(575.6)	744.0	1,519.9
Treasury stock purchases	(792.5)	(787.1)	(1,605.0)	(2,798.4)
Common stock dividends	(547.8)	(421.6)	(1,101.2)	(848.0)
Proceeds from stock option exercises	79.6	138.1	117.1	246.7
Excess tax benefit on share-based compensation	12.4	30.0	27.9	62.4
Other	(34.5)	(56.5)	(8.4)	(136.7)
Cash used for financing activities	(1,005.9)	(1,672.7)	(1,825.6)	(1,954.1)
Effect of exchange rates on cash and cash equivalents	70.6	5.4	43.5	66.7
Cash and equivalents increase (decrease)	181.9	(579.7)	97.2	361.2
Cash and equivalents at beginning of period	1,978.7	2,922.2	2,063.4	1,981.3
Cash and equivalents at end of period	\$ 2,160.6	\$ 2,342.5	\$ 2,160.6	\$ 2,342.5

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2008 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and six months ended June 30, 2009 do not necessarily indicate the results that may be expected for the full year.

The results of operations of McDonald's restaurant businesses purchased and sold were not material to the condensed consolidated financial statements for periods prior to purchase and sale.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at June 30,	2009	2008
Conventional franchised	18,645	17,899
Developmental licensed	3,084	2,811
Affiliated	4,072	4,089
Total Franchised	25,801	24,799
Company-operated	6,357	6,690
Systemwide restaurants	32,158	31,489

Comprehensive Income

The following table presents the components of comprehensive income for the quarters and six months ended June 30, 2009 and 2008:

In millions	Quarters Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	\$ 1,093.7	\$ 1,190.5	\$ 2,073.2	\$ 2,136.6
Other comprehensive income:				
Foreign currency translation adjustments	715.6	52.9	317.2	474.7
Deferred hedging adjustments	(17.5)	(16.5)	(24.3)	15.0
Pension liability adjustment	0.7	0.8	1.0	(14.1)
Total other comprehensive income	698.8	37.2	293.9	475.6
Total comprehensive income	\$ 1,792.5	\$ 1,227.7	\$ 2,367.1	\$ 2,612.2

Per Common Share Information

Diluted net income per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation calculated using the treasury stock method, of 14.1 million shares and 19.9 million shares for the second quarter 2009 and 2008, respectively, and 14.8 million shares and 19.9 million shares for the six months ended June 30, 2009 and 2008, respectively. Stock options that were not included in diluted weighted-average shares because they would have been antidilutive were 10.2 million shares for the quarter ended June 30, 2009 and 10.3 million shares and 5.1 million shares for the six months ended June 30, 2009 and 2008, respectively.

Fair Value Measurements

In 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157, as issued, were effective January 1, 2008. However, in February 2008, the FASB deferred the effective date of SFAS No. 157 for one year for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The Company adopted the required provisions of SFAS No. 157 related to debt and derivatives as of January 1, 2008 and adopted the remaining required provisions for non-financial assets and liabilities as of January 1, 2009. The effect of adopting this standard was not significant in either period.

Fair value is defined under SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Certain of the Company's derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and currency rates, classified as Level 2 within the valuation hierarchy. In accordance with the requirements of SFAS No. 157, derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or the Company.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2009 by SFAS No. 157 valuation hierarchy:

In millions	Level 1	Level 2	Level 3	Carrying Value
Cash equivalents	\$ 662.8			\$ 662.8
Investments	93.4*			93.4
Derivative receivables	79.2*	\$ 111.3		190.5
Total assets at fair value	\$ 835.4	\$ 111.3		\$ 946.7
Derivative payables		\$ (63.2)		\$ (63.2)
Total liabilities at fair value		\$ (63.2)		\$ (63.2)

* Represents long-term investments and derivatives that hedge market driven changes in liabilities associated with the Company's supplemental benefit plans.

• Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At June 30, 2009, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities.

- ***Certain Financial Assets and Liabilities not Measured at Fair Value***

In April 2009, the FASB issued FASB Staff Position FSP FAS No. 107-1 and APB No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This guidance requires a publicly traded company to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods.

At June 30, 2009, the fair value of the Company's debt obligations was estimated at \$11.6 billion, compared to a carrying amount of \$11.0 billion. This fair value was estimated using various pricing models or discounted cash flow analyses that incorporated quoted market prices and are similar to Level 2 inputs within the SFAS No. 157 valuation hierarchy. The Company has no current plans to retire a significant amount of its debt prior to maturity.

The carrying amounts for both cash and equivalents and notes receivable approximate fair value. No fair value was estimated for non-interest bearing security deposits by franchisees, because these deposits are an integral part of the overall franchise arrangements.

Derivative Instruments and Hedging Activities

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS No. 161). SFAS No. 161 amends and expands the previous disclosure requirements of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), to provide more qualitative and quantitative information on how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The Company adopted SFAS No. 161 as of January 1, 2009 on a prospective basis; accordingly, disclosures related to interim periods prior to the date of adoption have not been presented. The adoption had no impact on our consolidated financial statements, besides the additional disclosures.

The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency fluctuations. The Company uses foreign currency denominated debt and derivative instruments to mitigate the impact of these changes. The Company does not use derivatives with a level of complexity or with a risk higher than the exposures to be hedged and does not hold or issue derivatives for trading purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking hedging transactions. The Company's derivatives that are designated as hedging instruments under SFAS No. 133 consist mainly of interest rate exchange agreements, forward foreign currency exchange agreements and foreign currency options. Interest rate exchange agreements are entered into to manage the interest rate risk associated with the Company's fixed and floating-rate borrowings. Forward foreign currency exchange agreements and foreign currency options are entered into to mitigate the risk that forecasted foreign currency cash flows (such as royalties denominated in foreign currencies) will be adversely affected by changes in foreign currency exchange rates. Certain foreign currency denominated debt is used, in part, to protect the value of the Company's investments in certain foreign subsidiaries and affiliates from changes in foreign currency exchange rates.

The Company also enters into certain derivatives that are not designated as hedging instruments under SFAS No. 133. The Company has entered into derivative contracts to hedge market-driven changes in certain of its supplemental benefit plan liabilities. Changes in the fair value of these derivatives are recorded in selling, general & administrative expenses. In addition, the Company uses forward foreign currency exchange agreements to mitigate the change in fair value of certain foreign denominated assets and liabilities. Since these derivatives are not designated as hedging instruments under SFAS No. 133, the changes in the fair value of these hedges are recognized immediately in nonoperating (income) expense together with the translation gain or loss from the hedged balance sheet position. A portion of the Company's foreign currency options (more fully described in the Cash Flow Hedging Strategy section) are undesignated as hedging instruments under SFAS No. 133 as the underlying foreign currency royalties are earned.

All derivative instruments designated as hedging instruments under SFAS No. 133 are classified as fair value, cash flow or net investment hedges. All derivatives (including those not designated as hedging instruments under SFAS No. 133) are recognized on the consolidated balance sheet at fair value and classified based on the instruments' maturity date. Changes in the fair value measurements of the derivative instruments are reflected as adjustments to other comprehensive income (OCI) and/or current earnings.

The following table presents the fair values of derivative instruments included on the consolidated balance sheet as of June 30, 2009:

In millions	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS No. 133				
Foreign currency options	Prepaid expenses and other current assets	\$19.3	Accrued payroll and other liabilities	\$—
Interest rate exchange agreements	Prepaid expenses and other current assets	4.3	Accrued payroll and other liabilities	—
Forward foreign currency exchange agreements	Prepaid expenses and other current assets	—	Accrued payroll and other liabilities	—
Foreign currency options	Miscellaneous other assets	4.8	Other long-term liabilities	—
Interest rate exchange agreements	Miscellaneous other assets	68.7	Other long-term liabilities	(2.1)
Total derivatives designated as hedging instruments under SFAS No. 133		<u>\$97.1</u>		<u>\$(2.1)</u>
Derivatives not designated as hedging instruments under SFAS No. 133				
Forward foreign currency exchange agreements	Prepaid expenses and other current assets	\$14.2	Accrued payroll and other liabilities	\$(61.1)
Derivatives hedging supplemental benefit plan	Miscellaneous other assets	79.2	Other long-term liabilities	—
Total derivatives not designated as hedging instruments under SFAS No. 133		<u>\$93.4</u>		<u>\$(61.1)</u>
Total derivatives		<u>\$190.5</u>		<u>\$(63.2)</u>

The following table presents the pretax amounts affecting income and other comprehensive income for the six month period ended June 30, 2009:

In millions:

Derivatives in SFAS No. 133 Fair Value Hedging Relationships	(Gain) Loss Recognized in Income on Derivative	Hedged Items in SFAS No. 133 Fair Value Hedge Relationships	(Gain) Loss Recognized in Income on Related Hedged Items
Interest rate exchange agreements	\$9.5	Fixed-rate debt	\$(9.5)
Derivatives in SFAS No. 133 Cash Flow Hedging Relationships	(Gain) Loss Recognized in Accumulated OCI on Derivative (Effective Portion)	(Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion)	(Gain) Loss Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)
Foreign currency options	\$1.0	\$(32.0)	\$16.4
Interest rate exchange agreements ¹	(1.4)	(1.1)	—
Forward foreign currency exchange agreements	0.9	(4.3)	—
Total	\$0.5	\$(37.4)	\$16.4
Derivatives in SFAS No. 133 Net Investment Hedging Relationships	(Gain) Loss Recognized in Accumulated OCI on Derivative (Effective Portion)		
Foreign currency denominated debt	\$(46.2)		
Derivatives Not Designated as Hedging Instruments under SFAS No. 133	(Gain) Loss Recognized in Income on Derivative		
Forward foreign currency exchange agreements	\$26.5		
Derivatives hedging supplemental benefit plan ²	5.3		
Foreign currency options	(0.1)		
Total	\$ 31.7		

(Gains) losses recognized in income on derivatives are recorded in nonoperating (income) expense unless otherwise noted.

¹ The amount of (gain) loss reclassified from accumulated OCI into income is recorded in interest expense.

² The amount of (gain) loss recognized in income on the derivatives used to hedge the supplemental benefit plan liabilities is recorded in selling, general & administrative expenses.

• **Fair Value Hedging Strategy**

The Company enters into fair value hedges to reduce the exposure to changes in the fair values of certain liabilities. The fair value hedges the Company enters into consist of interest rate exchange agreements which convert a portion of its fixed-rate debt into floating-rate debt. All of the Company's interest rate exchange agreements meet the shortcut method requirements under SFAS No. 133. Accordingly, changes in the fair values of the interest rate exchange agreements are exactly offset by changes in the fair value of the underlying debt. No ineffectiveness has been recorded to net income related to interest rate exchange agreements designated as fair value hedges for the six month period ended June 30, 2009. A total of \$1.4 billion of the Company's outstanding fixed-rate debt was effectively converted to floating-rate debt resulting from the use of interest rate exchange agreements.

• **Cash Flow Hedging Strategy**

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. The types of cash flow hedges the Company enters into include (i) interest rate exchange agreements; and (ii) forward foreign currency exchange agreements and foreign currency options.

The Company uses interest rate exchange agreements to effectively convert a portion of floating-rate debt into fixed-rate debt and the agreements are designed to reduce the impact of interest rate changes on future interest expense. At June 30, 2009, a total of \$103.8 million of the Company's outstanding floating-rate debt was effectively converted to fixed-rate debt resulting from the use of interest rate exchange agreements.

To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses forward foreign currency exchange agreements and foreign currency options to hedge a portion of anticipated exposures.

When the U.S. dollar strengthens against foreign currencies, the decline in present value of future foreign denominated royalties is offset by gains in the fair value of the forward foreign currency exchange agreements and/or foreign currency options. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign denominated royalties is offset by losses in the fair value of the forward foreign currency exchange agreements and/or foreign currency options.

Although the fair value changes in the foreign currency options may fluctuate over the period of the contract, the Company's total loss on a foreign currency option will not exceed the upfront premium paid for the contract. However, the potential gains on a foreign currency option are unlimited as the settlement value of the contract is based upon the difference between the exchange rate at inception of the contract and the spot exchange rate at maturity.

The hedges typically cover the next 12-15 months of exposure and are denominated in various currencies. As of June 30, 2009, the Company had derivatives outstanding with an equivalent notional amount of \$584.8 million that were used to hedge forecasted foreign currency denominated royalties.

As permitted under SFAS No. 133, the Company excludes the time value of foreign currency options, as well as the discount or premium points on forward foreign currency exchange agreements from its effectiveness assessment on its cash flow hedges. As a result, changes in the fair value of the derivatives due to these components, as well as the ineffectiveness of the hedges, are recognized in earnings currently. The effective portion of the gains or losses on the derivatives is reported in the deferred hedging adjustment component of accumulated other comprehensive income in shareholders' equity and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings.

Based on interest rates and foreign currency exchange rates at June 30, 2009, the majority of the \$24 million in cumulative deferred hedging gains, after tax, included in accumulated other comprehensive income in shareholders' equity at June 30, 2009, will be recognized in earnings over the next 12 months as the underlying hedged transactions are realized.

- ***Hedge of Net Investment in Foreign Operations Strategy***

The Company uses foreign currency denominated debt to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in accumulated other comprehensive income. As of June 30, 2009, a total of \$3.5 billion of the Company's outstanding foreign currency denominated debt was designated to hedge investments in certain foreign subsidiaries and affiliates.

- ***Credit Risk***

The Company is exposed to credit-related losses in the event of non-performance by the counterparties to its hedging instruments. The counterparties to these agreements consist of a diverse group of financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties and adjusts positions as appropriate. The Company did not have significant exposure to any individual counterparty at June 30, 2009 and has master agreements that contain netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At June 30, 2009, neither the Company nor its counterparties were required to post collateral on any derivative position.

Gain on Sale of Investment

In February 2009, the Company sold its minority ownership interest in Redbox Automated Retail, LLC (Redbox) to Coinstar, Inc., the majority owner, for a value of at least \$134 million. In connection with the sale, the Company received initial consideration valued at \$51.6 million consisting of 1.5 million shares of Coinstar common stock at an agreed to value of \$41.6 million and \$10 million in cash with the balance of the purchase price deferred. In April, the Company sold all of its holdings in the Coinstar common stock for \$46.8 million. In second quarter, the Company received \$78.4 million in cash from Coinstar as deferred consideration. As of June 30, 2009 there was a receivable of approximately \$9 million remaining from Coinstar for additional deferred consideration due by October 30, 2009.

As a result of the transaction, the Company recognized a nonoperating pretax gain of \$17.8 million in the second quarter 2009 and \$94.3 million for the six months.

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. As a result of the sale, the Company received cash proceeds of \$229.4 million and recognized a nonoperating pretax gain of \$160.1 million.

Segment Information

The Company franchises and operates McDonald's restaurants in the food service industry. The following table presents the Company's revenues and operating income by geographic segment. The APMEA segment represents operations in Asia/Pacific, Middle East and Africa. Other Countries & Corporate represents operations in Canada and Latin America, as well as Corporate activities.

In millions	Quarters Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues				
U.S.	\$2,044.2	\$2,066.2	\$ 3,920.6	\$ 3,962.8
Europe	2,264.0	2,606.2	4,212.2	4,981.8
APMEA	1,047.9	1,057.9	2,057.0	2,090.3
Other Countries & Corporate	291.1	345.0	534.8	655.2
Total revenues	\$5,647.2	\$6,075.3	\$10,724.6	\$11,690.1
Operating income				
U.S.	\$ 834.9	\$ 796.3	\$ 1,560.4	\$ 1,478.8
Europe	618.9	671.8	1,108.8	1,249.0
APMEA	230.6	191.3	444.2	408.8
Other Countries & Corporate	(2.9)	(5.2)	(31.5)	(19.6)
Total operating income	\$1,681.5	\$1,654.2	\$ 3,081.9	\$ 3,117.0

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission, which was August 6, 2009. There were no subsequent events that required recognition or disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company franchises and operates McDonald's restaurants. Of the 32,158 restaurants in 118 countries at June 30, 2009, 25,801 were operated by franchisees (including 18,645 operated by conventional franchisees, 3,084 operated by developmental licensees and 4,072 operated by foreign affiliated markets (affiliates) – primarily in Japan) and 6,357 were operated by the Company. Under our conventional franchise arrangement, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and décor of their restaurant businesses, and by reinvesting in the business over time. The Company owns the land and building or secures long-term leases for both Company-operated and conventional franchised restaurant sites. This maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees. Under our developmental license arrangement, licensees provide capital for the entire business, including the real estate interest, while the Company has no capital invested. In addition, the Company has an equity investment in a limited number of foreign affiliates that invest in real estate and operate or franchise restaurants within a market.

We view ourselves primarily as a franchisor and continually review our mix of Company-operated and franchised (conventional franchised, developmental licensed and affiliated) restaurants to deliver a great customer experience and drive profitability. In most cases, franchising is the best way to achieve both goals. Although direct restaurant operation is more capital-intensive relative to franchising and results in lower restaurant margins as a percent of revenues, Company-operated restaurants are important to our success in both mature and developing markets. In our Company-operated restaurants, and in collaboration with our franchisees, we further develop and refine operating standards, marketing concepts and product and pricing strategies, so that only those that we believe are most beneficial are introduced Systemwide. In addition, we firmly believe that owning restaurants is paramount to being a credible franchisor and essential to providing Company personnel with restaurant operations experience. Our Company-operated business also helps to facilitate strategic changes in restaurant ownership.

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments, and initial fees. Revenues from restaurants licensed to affiliates and developmental licensees include royalties based on a percent of sales, and generally include initial fees. Fees vary by type of site, amount of Company investment, if any, and local business conditions. These fees, along with occupancy and operating rights, are stipulated in franchise/license agreements that generally have 20-year terms.

The business is managed as distinct geographic segments. Significant reportable segments include the United States (U.S.), Europe, and Asia/Pacific, Middle East and Africa (APMEA). In addition, throughout this report we present "Other Countries & Corporate" that includes operations in Canada and Latin America, as well as Corporate activities. The U.S., Europe and APMEA segments account for approximately 35%, 40% and 20% of total revenues, respectively.

In February 2009, the Company sold its minority ownership interest in Redbox Automated Retail, LLC (Redbox) to Coinstar, Inc., the majority owner, for a value of at least \$134 million. In connection with the sale, the Company received initial consideration valued at \$51.6 million consisting of 1.5 million shares of Coinstar common stock at an agreed to value of \$41.6 million and \$10 million in cash with the balance of the purchase price deferred. In April, the Company sold all of its holdings in the Coinstar common stock for \$46.8 million. In second quarter, the Company received \$78.4 million in cash from Coinstar as deferred consideration. As of June 30, 2009 there was a receivable of approximately \$9 million remaining from Coinstar for additional deferred consideration due by October 30, 2009.

As a result of the transaction, the Company recognized a nonoperating pretax gain of \$17.8 million in the second quarter 2009 and \$94.3 million for the six months.

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. As a result of the sale, the Company received cash proceeds of \$229.4 million and recognized a nonoperating pretax gain of \$160.1 million

Strategic Direction and Financial Performance

McDonald's customer-centered Plan to Win – which is focused on being better, not just bigger – provides a common framework for our restaurants yet allows for local adaptation. The Plan facilitates the execution of multiple initiatives surrounding the five factors of exceptional customer experiences – people, products, place, price and promotion. Through the execution of these initiatives, we have enhanced the McDonald's experience for customers worldwide, growing sales and guest counts in each of the last five years. This Plan, coupled with financial discipline, has delivered strong results for shareholders. Our continued commitment and ability to deliver a relevant restaurant experience that provides consumers with a broad range of quality menu choices, affordable prices and unmatched convenience is driving operating performance. In the second quarter and first six months of 2009, our results were driven by positive comparable sales in every geographic segment.

The U.S. business gained market share with a balanced focus on classic menu favorites, beverage value offerings and the national launch of the McCafé premium coffee line-up. These factors contributed to solid comparable sales and an operating income increase of 5% for the second quarter and 6% for the six months.

Europe delivered strong comparable sales of 6.9% for the quarter and 5.1% for the six months. Alignment behind Europe's key priorities of enhancing local relevance, upgrading the customer and employee experience and building brand transparency continues to deliver results. Europe reported a constant currency increase in operating income of 10% for the quarter and 6% for the six months.

APMEA reported a constant currency increase in operating income of 34% for the quarter and 22% for the six months driven by an emphasis on core menu favorites, convenience, value and breakfast, along with a sharp focus on improving operations and customer service.

The Company remains committed to returning value to shareholders through share repurchases and dividends. During the second quarter 2009, the Company repurchased 14.4 million shares of its stock for \$807.2 million, bringing the total repurchases for 2009 to 29.0 million shares or \$1.6 billion. During the second quarter 2009, the Company paid a quarterly dividend of \$0.50 per share or \$547.8 million, bringing the total dividends paid for 2009 to \$1.1 billion. For the full years 2007 and 2008 and first six months of 2009 combined, the Company returned \$14.3 billion toward the \$15 billion to \$17 billion targeted cash return to shareholders by the end of 2009. Given our strong balance sheet and operating performance, we will likely end the year in the upper half of this range. On July 22, McDonald's Board of Directors declared a quarterly cash dividend of \$0.50 per share of common stock, payable on September 15, 2009 to shareholders of record at the close of business on September 1, 2009.

The Company continues to optimize its restaurant ownership mix, cash flow and returns through its refranchising strategy. The Company expects to refranchise 1,000 to 1,500 Company-operated restaurants between 2008 and 2010, primarily in its major markets. For the full year 2008 and first six months of 2009 combined, the Company refranchised about 865 restaurants. This shift to a greater percentage of franchised restaurants is expected to negatively impact consolidated revenues as Company-operated sales shift to franchised sales, where we receive rent and/or royalties. In addition, the Company expects a decrease in Company-operated margin dollars and an increase in franchised margin dollars. The impact on margin percentages will vary based on sales and operating costs of refranchised restaurants.

Operating Highlights Included:

- Global comparable sales increased 4.8% for the quarter and 4.6% for the six months
- Consolidated operating income increased 2% (11% in constant currencies) for the quarter and decreased 1% (increased 8% in constant currencies) for the six months
- Combined operating margin increased 200 basis points to 28.7% for the six months
- Net income per share was \$0.98 for the quarter and \$1.85 for the six months, including negative impact from foreign currency translation of \$0.09 per share and \$0.17 per share for the quarter and six months, respectively. The quarter and six months also included incremental income related primarily to the sale of Redbox Automated Retail, LLC of \$0.01 per share and \$0.05 per share, respectively. Results for the quarter and six months of 2008 included a \$0.10 per share gain from the Company's sale of its minority interest in Pret A Manger
- During the six months, the Company returned \$2.7 billion to shareholders through share repurchases and dividends

Outlook

While the Company does not provide specific guidance on net income per share, the following information is provided to assist in forecasting the Company's future results.

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add nearly 2 percentage points to 2009 Systemwide sales growth (in constant currencies), most of which will be due to the 709 net traditional restaurants added in 2008.
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point increase in comparable sales for either the U.S. or Europe would increase annual net income per share by about 3 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full year 2009, the total basket of goods is expected to rise 3% to 3.5% in both the U.S. and Europe. Some volatility may be experienced between quarters in the normal course of business.
- The Company expects full-year 2009 selling, general & administrative expenses to decline, in constant currencies, although fluctuations will be experienced between quarters due to certain items in 2008 such as the biennial Worldwide Owner/Operator Convention and the Beijing Summer Olympics.

- Based on current interest and foreign currency exchange rates, the Company expects interest expense in 2009 to decrease approximately 5% to 10% compared with 2008. Interest income in 2009 is expected to decrease about 75% compared with 2008 primarily due to lower average interest rates.
- A significant part of the Company's operating income is generated outside the U.S., and about 45% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction compared with 2008, the Company's annual net income per share would change by about 12 to 15 cents. Due to the strengthening of the U.S. Dollar relative to virtually all foreign currencies, full year 2009 revenues and net income per share will likely be negatively impacted by foreign currency translation. If foreign currency rates approximate current levels, currency translation is expected to negatively impact full year 2009 revenues and net income per share by \$1.6 billion and \$0.21 per share, respectively.
- The Company expects the effective income tax rate for the full-year 2009 to be approximately 29% to 31%. Some volatility may be experienced between the quarters resulting in a quarterly tax rate that is outside the annual range.
- The Company expects capital expenditures for 2009 to be approximately \$2.1 billion. About half of this amount will be reinvested in existing restaurants while the rest will primarily be used to open about 1,000 restaurants (950 traditional and 50 satellites). The Company expects net additions of about 650 restaurants (750 net traditional additions and 100 net satellite closings). These restaurant numbers include new unit openings (about 300 restaurants) in affiliated and developmental licensed markets, such as Japan and Latin America, where the Company does not fund any capital expenditures.
- For 2007 through 2009, the Company expects to return \$15 billion to \$17 billion to shareholders through share repurchases and dividends, subject to business and market conditions. For the full years 2007 and 2008 and first six months of 2009 combined, the Company returned \$14.3 billion to shareholders. Given our strong balance sheet and operating performance, we will likely end the year in the upper half of this range.
- The Company continually reviews its restaurant ownership structures to optimize cash flow and returns and to enhance local relevance. The Company expects to rebrand 1,000 to 1,500 Company-operated restaurants between 2008 and 2010, primarily in its major markets, and will continue to utilize its developmental license strategy. For the full year 2008 and first six months of 2009 combined, the Company rebranded about 865 restaurants, primarily in its major markets.

The Following Definitions Apply to These Terms as Used Throughout This Form 10-Q:

- Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results in constant currencies and bases certain incentive compensation plans on these results because they believe this better represents the Company's underlying business trends.
- Systemwide sales include sales at all restaurants, whether operated by the Company or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base.
- Comparable sales represent sales at all restaurants and comparable guest counts represent the number of transactions at all restaurants, including those operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Comparable sales exclude the impact of currency translation. Some of the reasons restaurants may be temporarily closed include reimagining or remodeling, rebuilding, road construction and natural disasters. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends. The number of weekdays and weekend days, referred to as the calendar shift/trading day adjustment, can impact our comparable sales and guest counts. In addition, the timing of holidays can also impact comparable sales and guest counts.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended June 30, 2009		Six Months Ended June 30, 2009	
	Amount	% Increase / (Decrease)	Amount	% Increase / (Decrease)
Revenues				
Sales by Company-operated restaurants	\$3,850.2	(10)	\$ 7,334.9	(12)
Revenues from franchised restaurants	1,797.0	1	3,389.7	—
Total revenues	5,647.2	(7)	10,724.6	(8)
Operating costs and expenses				
Company-operated restaurant expenses	3,159.3	(11)	6,079.8	(12)
Franchised restaurants – occupancy expenses	318.0	1	614.7	—
Selling, general & administrative expenses	531.5	(11)	1,028.8	(11)
Impairment and other charges, net	1.2	n/m	2.4	n/m
Other operating (income) expense, net	(44.3)	(55)	(83.0)	(20)
Total operating costs and expenses	3,965.7	(10)	7,642.7	(11)
Operating income	1,681.5	2	3,081.9	(1)
Interest expense	119.3	(18)	240.2	(13)
Nonoperating (income) expense, net	(12.0)	61	(28.4)	52
Gain on sale of investment	(17.8)	89	(94.3)	41
Income before provision for income taxes	1,592.0	(6)	2,964.4	(3)
Provision for income taxes	498.3	(2)	891.2	(4)
Net income	\$1,093.7	(8)	\$ 2,073.2	(3)
Net income per common share–basic:	\$ 1.00	(5)	\$ 1.88	—
Net income per common share–diluted:	\$ 0.98	(6)	\$ 1.85	—

n/m Not meaningful

Impact of Foreign Currency Translation

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by financing in local currencies, hedging certain foreign-denominated cash flows, and purchasing goods and services in local currencies. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases certain incentive compensation plans on these results because they believe this better represents the Company's underlying business trends. Results excluding the effect of foreign currency translation (also referred to as constant currency) are calculated by translating current year results at prior year average exchange rates.

IMPACT OF FOREIGN CURRENCY TRANSLATION <i>In millions, except per share data</i>			
Quarters Ended June 30,	2009	2008	Currency Translation Benefit / (Cost) 2009
Revenues	\$5,647.2	\$6,075.3	\$(643.4)
Company-operated margins	690.9	760.8	(87.8)
Franchised margins	1,479.0	1,464.0	(111.4)
Selling, general & administrative expenses	531.5	598.7	38.8
Operating income	1,681.5	1,654.2	(161.1)
Net income	1,093.7	1,190.5	(98.7)
Net income per common share – diluted	0.98	1.04	(0.09)

IMPACT OF FOREIGN CURRENCY TRANSLATION <i>In millions, except per share data</i>			
Six Months Ended June 30,	2009	2008	Currency Translation Benefit / (Cost) 2009
Revenues	\$10,724.6	\$11,690.1	\$(1,285.8)
Company-operated margins	1,255.1	1,420.0	(160.3)
Franchised margins	2,775.0	2,780.2	(220.4)
Selling, general & administrative expenses	1,028.8	1,151.1	81.8
Operating income	3,081.9	3,117.0	(299.0)
Net income	2,073.2	2,136.6	(185.0)
Net income per common share – diluted	1.85	1.85	(0.17)

Foreign currency translation had a negative impact on consolidated operating results for the quarter and six months as the U.S. Dollar strengthened against most currencies of foreign markets in which we operate, primarily the Euro, British Pound, Australian Dollar, Russian Ruble and Canadian Dollar.

Net Income and Diluted Net Income per Common Share

For the second quarter and six months ended June 30, 2009, net income was \$1,093.7 million and \$2,073.2 million, respectively, and diluted net income per share was \$0.98 and \$1.85, respectively. Results benefited by an after tax gain of \$11.1 million, or \$0.01 per share, for the quarter and \$58.5 million, or \$0.05 per share, for the six months, related to the sale of the Company's minority interest in Redbox. Results were negatively impacted due to the effect of foreign currency translation by \$0.09 per share and \$0.17 per share for the quarter and six months, respectively.

For the second quarter and six months ended June 2008, net income was \$1,190.5 million and \$2,136.6 million, respectively, and diluted net income per share was \$1.04 and \$1.85, respectively. Both periods benefited by an after tax gain of \$109.0 million or \$0.10 per share due to the sale of the Company's minority interest in Pret A Manger.

During the second quarter 2009, the Company repurchased 14.4 million shares of its stock for \$807.2 million, bringing the total repurchases for 2009 to 29.0 million shares or \$1.6 billion. During the second quarter 2009, the Company paid a quarterly dividend of \$0.50 per share or \$547.8 million, bringing the total dividends paid for 2009 to \$1.1 billion.

Revenues

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments, and initial fees. Revenues from franchised restaurants that are licensed to affiliates and developmental licensees include royalties based on a percent of sales, and generally include initial fees.

REVENUES				
<i>Dollars in millions</i>				
Quarters Ended June 30,	2009	2008	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$1,115.5	\$1,195.0	(7)	(7)
Europe	1,651.6	1,959.6	(16)	4
APMEA	901.2	913.6	(1)	7
Other Countries & Corporate	181.9	227.8	(20)	(8)
Total	\$3,850.2	\$4,296.0	(10)	1
<i>Franchised revenues</i>				
U.S.	\$ 928.7	\$ 871.2	7	7
Europe	612.4	646.6	(5)	11
APMEA	146.7	144.3	2	16
Other Countries & Corporate	109.2	117.2	(7)	7
Total	\$1,797.0	\$1,779.3	1	9
<i>Total revenues</i>				
U.S.	\$2,044.2	\$2,066.2	(1)	(1)
Europe	2,264.0	2,606.2	(13)	6
APMEA	1,047.9	1,057.9	(1)	8
Other Countries & Corporate	291.1	345.0	(16)	(3)
Total	\$5,647.2	\$6,075.3	(7)	4

REVENUES <i>Dollars in millions</i>				
Six Months Ended June 30,	2009	2008	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 2,159.0	\$ 2,305.1	(6)	(6)
Europe	3,065.3	3,745.2	(18)	2
APMEA	1,776.9	1,809.2	(2)	8
Other Countries & Corporate	333.7	435.3	(23)	(9)
Total	\$ 7,334.9	\$ 8,294.8	(12)	1
<i>Franchised revenues</i>				
U.S.	\$ 1,761.6	\$ 1,657.7	6	6
Europe	1,146.9	1,236.6	(7)	9
APMEA	280.1	281.1	—	16
Other Countries & Corporate	201.1	219.9	(9)	8
Total	\$ 3,389.7	\$ 3,395.3	—	8
<i>Total revenues</i>				
U.S.	\$ 3,920.6	\$ 3,962.8	(1)	(1)
Europe	4,212.2	4,981.8	(15)	4
APMEA	2,057.0	2,090.3	(2)	9
Other Countries & Corporate	534.8	655.2	(18)	(3)
Total	\$10,724.6	\$11,690.1	(8)	3

Consolidated revenues decreased 7% (increased 4% in constant currencies) for the quarter and decreased 8% (increased 3% in constant currencies) for the six months. The constant currency growth was driven by positive comparable sales in all segments, partly offset by the impact of the refranchising strategy in certain of the Company's major markets. As a result of refranchising, franchised restaurants represent 80% of systemwide restaurants at June 30, 2009 compared with 79% at June 30, 2008.

In the U.S., the decrease in revenues for the quarter and six months was due to the impact of the refranchising strategy, mostly offset by an increase in comparable sales driven by our iconic core products, beverage value offerings, the introduction of McCafé premium coffees, and everyday value.

In Europe, the constant currency increase in revenues for the quarter and six months was primarily due to strong comparable sales in Russia (which is entirely Company-operated), the U.K. and France. These increases were partly offset by the impact of the refranchising strategy, primarily in the U.K. and Germany.

In APMEA, the constant currency increase in revenues for the quarter and six months was primarily driven by strong comparable sales in Australia and other Asian markets as well as expansion in China, partly offset by negative comparable sales in China.

The following table presents the percent change in comparable sales for the quarters and six months ended June 30, 2009 and 2008:

COMPARABLE SALES	% Increase			
	Quarters Ended June 30,		Six Months Ended June 30,*	
	2009	2008	2009	2008
U.S.	3.5	3.4	4.1	3.2
Europe	6.9	7.4	5.1	9.1
APMEA	4.4	8.8	4.9	9.1
Other Countries & Corporate	4.7	12.0	4.5	13.6
Total	4.8	6.1	4.6	6.7

* On a consolidated basis, comparable guest counts increased 1.3% and 3.3% for the six months ended June 30, 2009 and 2008, respectively.

The following table presents the percent change in Systemwide sales for the quarter and six months ended June 30, 2009:

SYSTEMWIDE SALES				
	Quarter Ended June 30, 2009		Six Months Ended June 30, 2009	
	% Inc / (Dec)	% Inc Excluding Currency Translation	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	4	4	5	5
Europe	(9)	9	(11)	7
APMEA	3	8	4	9
Other Countries & Corporate	(8)	6	(10)	6
Total	(1)	7	(1)	6

The following tables present franchised sales, which are not recorded in the income statement, and the related percentage change for the quarters and six months ended June 30, 2009 and 2008:

FRANCHISED SALES				
<i>Dollars in millions</i>				
Quarters Ended June 30,	2009	2008	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	\$ 6,808.6	\$ 6,394.1	6	6
Europe	3,513.4	3,690.7	(5)	12
APMEA	2,300.6	2,184.0	5	9
Other Countries & Corporate	1,352.1	1,437.6	(6)	9
Total*	\$13,974.7	\$13,706.4	2	8

* Included \$2,751.7 million and \$2,669.1 million of sales in 2009 and 2008, respectively, derived from developmental licensee restaurants or foreign affiliated markets where the Company earns a royalty based on sales. The remaining balance of franchised sales is derived from conventional franchised restaurants where the Company earns rent and royalties based on sales.

FRANCHISED SALES <i>Dollars in millions</i>				
Six Months Ended June 30,	2009	2008	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	\$13,062.5	\$12,197.7	7	7
Europe	6,580.9	7,047.7	(7)	10
APMEA	4,581.0	4,312.8	6	9
Other Countries & Corporate	2,530.0	2,733.7	(7)	9
Total*	\$26,754.4	\$26,291.9	2	8

* Included \$5,480.7 million and \$5,236.3 million of sales in 2009 and 2008, respectively, derived from developmental licensee restaurants or foreign affiliated markets where the Company earns a royalty based on sales. The remaining balance of franchised sales is derived from conventional franchised restaurants where the Company earns rent and royalties based on sales.

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS <i>Dollars in millions</i>						
Quarters Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2009	2008	2009	2008		
<i>Franchised</i>						
U.S.	83.5	83.6	\$ 775.0	\$ 727.8	6	6
Europe	78.2	78.3	478.8	506.1	(5)	10
APMEA	89.5	89.0	131.4	128.5	2	15
Other Countries & Corporate	85.9	86.6	93.8	101.6	(8)	7
Total	82.3	82.3	\$1,479.0	\$1,464.0	1	9
<i>Company-operated</i>						
U.S.	19.6	19.1	\$ 218.8	\$ 227.6	(4)	(4)
Europe	18.1	18.0	298.6	353.2	(15)	4
APMEA	16.2	15.6	145.7	142.0	3	13
Other Countries & Corporate	15.3	16.6	27.8	38.0	(27)	(15)
Total	17.9	17.7	\$ 690.9	\$ 760.8	(9)	2

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS						
<i>Dollars in millions</i>						
Six Months Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2009	2008	2009	2008		
<i>Franchised</i>						
U.S.	83.0	82.9	\$1,461.9	\$1,374.0	6	6
Europe	77.5	78.1	889.1	966.1	(8)	8
APMEA	89.8	89.0	251.7	250.3	1	15
Other Countries & Corporate	85.7	86.3	172.3	189.8	(9)	7
Total	81.9	81.9	\$2,775.0	\$2,780.2	—	8
<i>Company-operated</i>						
U.S.	19.0	18.4	\$ 409.6	\$ 424.8	(4)	(4)
Europe	16.8	17.1	515.0	639.5	(19)	(1)
APMEA	16.0	16.1	284.1	290.4	(2)	8
Other Countries & Corporate	13.9	15.0	46.4	65.3	(29)	(16)
Total	17.1	17.1	\$1,255.1	\$1,420.0	(12)	—

Franchised margin dollars increased \$15.0 million or 1% (\$126.4 million or 9% in constant currencies) for the quarter and decreased \$5.2 million (increased \$215.2 million or 8% in constant currencies) for the six months. Positive comparable sales in every segment and the refranchising strategy were the primary drivers of the constant currency growth in franchised margin dollars in both periods.

- In the U.S., the franchised margin percent for the quarter and six months reflected positive comparable sales and for the quarter also reflected additional depreciation related to the Company's investment in the beverage initiative.
- In Europe, the franchised margin percent for the quarter and six months was negatively impacted by the refranchising strategy, higher occupancy expenses and the cost of strategic brand and sales building initiatives partly offset by positive comparable sales.
- In APMEA, the growth in the franchised margin percent for the quarter and six months was primarily a result of foreign currency translation, mostly due to the weakening Australian dollar. Because Australia's franchised margin percent is lower than the overall segment average, it had a less dilutive impact on the segment's margin percent.

Company-operated margin dollars decreased \$69.9 million or 9% (increased \$17.9 million or 2% in constant currencies) for the quarter and decreased \$164.9 million or 12% (\$4.6 million in constant currencies) for the six months. In both periods Company-operated margin dollars were negatively impacted by the refranchising strategy. The refranchising strategy had a positive impact on the margin percent for both periods.

- In the U.S., the Company-operated margin percent increased for the quarter and six months due to positive comparable sales and the impact of the refranchising strategy, partly offset by higher commodity costs and for the quarter additional depreciation related to the beverage initiative.
- Europe's Company-operated margin percent increased for the quarter due to positive comparable sales and refranchising, partly offset by higher commodity and labor costs. Local inflation and the impact of weaker currencies on the cost of certain imported products drove higher costs, primarily in Russia, and negatively impacted the Company-operated margin percent for the quarter and six months.
- In APMEA, the Company-operated margin percent increased for the quarter primarily due to positive comparable sales partly offset by higher commodity and labor costs. China's margin improved in the quarter due in part to lower commodity costs.

The following table presents margin components as a percent of sales:

CONSOLIDATED COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Food & paper	33.8	33.5	34.2	33.4
Payroll & employee benefits	25.8	26.1	25.9	26.5
Occupancy & other operating expenses	22.5	22.7	22.8	23.0
Total expenses	82.1	82.3	82.9	82.9
Company-operated margins	17.9	17.7	17.1	17.1

Selling, General & Administrative Expenses

Selling, general & administrative expenses decreased 11% (5% in constant currencies) for the quarter and decreased 11% (4% in constant currencies) for the six months, due in part to expenses related to the Company's biennial Worldwide Owner/Operator Convention in second quarter 2008. Selling, general & administrative expenses as a percent of revenues decreased to 9.6% for the six months 2009 compared with 9.8% for 2008 and as a percent of Systemwide sales decreased to 3.0% for 2009 compared with 3.3% for 2008.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET <i>In millions</i>				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Gains on sales of restaurant businesses	\$ (22.3)	\$ (30.2)	\$ (46.1)	\$ (43.3)
Equity in earnings of unconsolidated affiliates	(33.9)	(26.1)	(63.3)	(49.5)
Asset dispositions and other (income) expense	11.9	27.7	26.4	23.9
Total	\$ (44.3)	\$ (28.6)	\$ (83.0)	\$ (68.9)

Equity in earnings of unconsolidated affiliates for the quarter and six months reflected improved operating performance in Japan.

Asset dispositions and other expense for the quarter and six months reflected lower losses on restaurant closings and property disposals. The six months 2008 included income of \$17.8 million due to the partial recovery of prior years' sales taxes in the U.K.

Operating Income

OPERATING INCOME <i>Dollars in millions</i>				
Quarters ended June 30,	2009	2008	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	\$ 834.9	\$ 796.3	5	5
Europe	618.9	671.8	(8)	10
APMEA	230.6	191.3	21	34
Other Countries & Corporate	(2.9)	(5.2)	44	n/m
Total	\$1,681.5	\$1,654.2	2	11

OPERATING INCOME <i>Dollars in millions</i>				
				% Inc Excluding Currency Translation
Six Months ended June 30,	2009	2008	% Inc / (Dec)	
U.S.	\$1,560.4	\$1,478.8	6	6
Europe	1,108.8	1,249.0	(11)	6
APMEA	444.2	408.8	9	22
Other Countries & Corporate	(31.5)	(19.6)	(61)	n/m
Total	\$3,081.9	\$3,117.0	(1)	8

In the U.S., operating results increased for the quarter and six months primarily due to higher franchised margin dollars.

In Europe, constant currency operating results for the quarter and six months reflected strong operating performance in France and the U.K. In addition, Russia's strong results contributed to the quarter.

In APMEA, constant currency operating results for the quarter and six months were driven primarily by strong results in Australia. Growth in China also contributed to results for the quarter.

- Combined Operating Margin**

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin for the six months 2009 and 2008 was 28.7% and 26.7%, respectively. In constant currencies, the 2009 combined operating margin increased 140 basis points.

Interest Expense

Interest expense for the quarter and six months decreased primarily due to lower average interest rates and weaker foreign currencies. Lower average debt levels also contributed to the decrease for the quarter.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET <i>In millions</i>				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Interest income	\$ (4.6)	\$ (21.3)	\$ (10.3)	\$ (52.7)
Translation and hedging activity	(13.0)	(12.3)	(25.1)	(7.6)
Other expense	5.6	2.8	7.0	0.6
Total	\$ (12.0)	\$ (30.8)	\$ (28.4)	\$ (59.7)

Interest income declined for the quarter and six months primarily due to lower interest rates. Interest income in the six months 2008 included \$11.6 million of interest on the partial recovery of prior years' sales taxes in the U.K.

Translation and hedging activity included gains on the hedging of certain foreign-denominated cash flows.

Gain on Sale of Investment

In February 2009, the Company sold its minority ownership interest in Redbox to Coinstar, Inc., the majority owner, for a value of at least \$134 million. In connection with the sale, the Company received initial consideration valued at \$51.6 million consisting of 1.5 million shares of Coinstar common stock at an agreed to value of \$41.6 million and \$10 million in cash with the balance of the purchase price deferred. In April, the Company sold all of its holdings in the Coinstar common stock for \$46.8 million. In second quarter, the Company received \$78.4 million in cash from Coinstar as deferred consideration. As of June 30, 2009 there was a receivable of approximately \$9 million remaining from Coinstar for additional deferred consideration due by October 30, 2009.

As a result of the transaction, the Company recognized a nonoperating pretax gain of \$17.8 million in the second quarter 2009 and \$94.3 million for the six months.

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. As a result of the sale, the Company received cash proceeds of \$229.4 million and recognized a nonoperating pretax gain of \$160.1 million.

Income Taxes

The effective income tax rate was 30.1% for the six months 2009 compared with 30.2% for the six months 2008 and 31.3% for second quarter 2009 compared with 29.9% for second quarter 2008.

Cash Flows and Financial Position

The Company generates significant cash from operations and has substantial credit capacity to fund operating and discretionary spending such as capital expenditures, debt repayments, dividends and share repurchases.

Cash provided by operations totaled \$2.6 billion and exceeded capital expenditures by \$1.7 billion for the six months 2009. Cash provided by operations decreased \$189.7 million compared to six months 2008 primarily due to changes in working capital items, partly due to the receipt of \$142.7 million in 2008 related to the completion of an Internal Revenue Service examination and higher incentive based compensation payments in 2009 for the 2008 performance year.

Cash used for investing activities totaled \$671.5 million for the six months 2009, an increase of \$179.6 million over the first six months of 2008, as a result of lower proceeds from sales of investments and properties and higher expenditures for purchases of restaurant businesses.

Cash used for financing activities totaled \$1,825.6 million for six months 2009, a decrease of \$128.5 million. Financing activities in 2009 reflected lower treasury stock purchases, partly offset by lower net debt issuances and higher dividends.

Debt obligations at June 30, 2009 totaled \$11.0 billion compared with \$10.2 billion at December 31, 2008. The increase in 2009 was primarily due to net issuances of \$744 million. The Company issued debt in the first half of 2009 primarily to pre-fund debt maturing in the second half of the year.

Return on Average Assets

Return on average assets for the trailing 12 month period ended June 30, 2009 was 22.4% compared to 21.8% for the full year 2008. Return on average assets is computed as operating income for the most recent four quarters divided by average assets based on month-end balances. Operating income, as reported, does not include interest income; however, cash balances are included in average assets. The inclusion of cash balances in average assets reduced return on average assets by 1.9 percentage points in both 2009 and 2008.

In 2009, return on average assets benefited from improved operating results across all geographic segments. The Company will continue to concentrate restaurant openings and invest new capital in markets with acceptable returns or opportunities for long-term growth.

Accounting Changes

Fair Value Measurements

In 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. This guidance defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This guidance does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The provisions of the guidance, as issued, were effective January 1, 2008. However, in February 2008, the FASB deferred the effective date of the guidance for one year for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The Company adopted the required provisions of the guidance related to debt and derivatives as of January 1, 2008 and adopted the remaining required provisions for non-financial assets and liabilities as of January 1, 2009. The effect of adopting this guidance was not significant in either period.

Derivative Instruments and Hedging Activities

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. This guidance amends and expands the previous disclosure requirements surrounding accounting for derivative instruments and hedging activities to provide more qualitative and quantitative information on how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under previous guidance and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The Company adopted the guidance as of January 1, 2009 on a prospective basis; accordingly, disclosures related to interim periods prior to the date of adoption have not been presented. The adoption had no impact on our

consolidated financial statements, besides the additional disclosures.

Interim Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FASB Staff Position FSP FAS No. 107-1 and APB No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This guidance requires a publicly traded company to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. The Company adopted the guidance for the second quarter 2009. The adoption had no impact on our consolidated financial statements, besides the additional disclosure.

Subsequent Events

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events*. This guidance requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Company adopted the guidance for the second quarter 2009. The adoption had no impact on our consolidated financial statements, besides the additional disclosure.

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

This report includes forward-looking statements about our plans and future performance, including those under Outlook. These statements use such words as “may,” “will,” “expect,” “believe” and “plan.” They reflect our expectations and speak only as of the date of this report. We do not undertake to update them. Our expectations (or the underlying assumptions) may change or not be realized, and you should not rely unduly on forward-looking statements.

Our business and execution of our strategic plan, the Plan to Win, are subject to risks. The most important of these is our ability to remain relevant to our customers and a brand they trust. Meeting customer expectations is complicated by the risks inherent in our operating environment. The informal eating out segment of the restaurant industry, although largely mature in our major markets, is also highly fragmented and competitive. We have the added challenge of the cultural, economic and regulatory differences that exist among the more than 100 countries where we operate. We also face risk in adapting our business model in particular markets. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex and changing. Regulatory and similar initiatives around the world have also become more wide-ranging and prescriptive and affect how we operate and our results. In particular, increasing focus on nutritional content and on the production, processing and preparation of food “from field to front counter” presents challenges for our Brand.

These risks can have an impact both in the near- and long-term and are reflected in the following considerations and factors that we believe are most likely to affect our performance.

Our ability to remain a relevant and trusted brand and to increase sales depends largely on how well we execute the Plan to Win.

The Plan to Win addresses the key drivers of our business and results—people, products, place, price and promotion. The quality of our execution depends mainly on the following:

- Our ability to anticipate and respond effectively to trends or other factors that affect the informal eating out market and our competitive position in the diverse markets we serve, such as spending patterns, demographic changes, trends in food preparation, consumer preferences and publicity about our products, all of which can drive popular perceptions of our business or affect the willingness of other companies to enter into site, supply or other arrangements or alliances with us;
- The success of our initiatives to support menu choice, physical activity and nutritional awareness and to address these and other matters of social responsibility in a way that communicates our values effectively and inspires trust and confidence;
- Our ability to respond effectively to adverse perceptions about the quick-service segment of the informal eating out market, our products and promotions (including the premiums we offer, such as our Happy Meal toys) or the reliability of our supply chain and the safety of the ingredients we use, and our ability to manage the potential impact on McDonald’s of food-borne illnesses or product safety issues;
- The success of our plans to improve existing products and to roll out new products and product line extensions, as well as the impact of our competitors’ actions, including in response to our product improvements and introductions, and our ability to continue robust product development and manage the complexity of our restaurant operations;
- Our ability to achieve an overall product mix that differentiates the McDonald’s experience and balances consumer value with margin expansion, particularly in markets where cost or pricing pressures are significant or have been exacerbated by challenging economic conditions;
- The impact of pricing, marketing and promotional plans on product sales and margins and on our ability to target these efforts effectively to maintain or expand market share and increase guest counts;
- The impact of events such as boycotts or protests, labor strikes and supply chain interruptions (including due to lack of supply or price increases) that can adversely affect us directly or adversely affect the vendors, franchisees and others that

are also part of the McDonald's System and whose performance has a material impact on our results;

- Our ability to recruit and retain qualified local personnel to manage our operations and growth in certain developing markets;
- Our ability to drive restaurant improvements and to motivate our restaurant personnel to achieve sustained high service levels so as to improve consumer perceptions of our ability to meet expectations for quality food served in clean and friendly environments;

- Our ability to maintain alignment with our franchisees on capital-intensive and other operating and promotional initiatives;
- The risks to our Brand if a franchisee or licensee defaults in its obligations (particularly requirements to pay royalties, make capital investments and open new restaurants), experiences food safety or other operational problems or otherwise projects a brand image inconsistent with our values, all of which become more significant risks if an agreement places a large number of restaurants under the control of a single franchisee or licensee as is the case in Latin America;
- Whether our ongoing restaurant remodeling and rebuilding initiatives, which vary from year to year by market and type, are targeted at the elements of the restaurant experience that will best accomplish our goals to enhance the relevance of our Brand and achieve an efficient allocation of our capital resources; and
- Our ability to leverage promotional or operating successes in individual markets into other markets in a timely and cost-effective way.

Our results and financial condition are affected by global and local market conditions, which can adversely affect our sales, margins and net income.

Our results of operations are substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market or daypart and may prompt promotional or other actions that adversely affect our margins, constrain our operating flexibility or result in charges, restaurant closings or sales of Company-operated restaurants. Some macroeconomic environments could have an even more wide-ranging and prolonged impact. For example, the current global recession has been characterized by slowing economies, rising unemployment, declining wages, constrained credit conditions and volatile financial markets. These conditions have significantly affected consumer habits and spending, including in our major markets and markets that we expect will be drivers of our long-term growth. If these conditions persist, they could adversely affect our results, depending on the timing and strength of a recovery.

- Our ability to manage volatile commodity prices and the anticipated negative impact of fluctuations in foreign exchange rates on our 2009 results, as well as any impact of changes in interest rates and governmental actions to manage national economic conditions such as the availability of credit, consumer spending, unemployment levels and inflation rates;
- The impact on our margins of labor costs given our labor-intensive business model, the trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of our restaurants;
- Whether our pricing strategies will be effective to offset cost increases without affecting our ability to increase guest counts and market share;
- Whether we are able to identify and develop restaurant sites, either directly or through licensees or other parties, consistent with our plans for net growth of Systemwide restaurants from year to year, and whether new sites are as profitable as expected;
- The challenges and uncertainties associated with operating in developing markets, such as China, Russia and India, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest, all of which are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment; and
- The nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment charges that reduce our earnings.

Increasing regulatory complexity will continue to affect our operations and results in material ways.

Our legal and regulatory environment worldwide exposes us to complex compliance, litigation and similar risks that affect our operations and results in material ways. In many of our markets, including the United States and Europe, we are subject to increasing regulation, which has increased our cost of doing business. In developing markets, we face the risks associated with new and untested laws and judicial systems. Among the more important regulatory and litigation risks we face and must manage are the following:

- The cost, compliance and other risks associated with the often conflicting regulations we face, especially in the United States where inconsistent standards imposed by local, state and federal authorities can adversely affect popular perceptions of our business and increase our exposure to litigation or governmental investigations or proceedings, and the impact of new, potential or changing regulation that affects or restricts elements of our business, particularly those relating to advertising to children, nutritional content and product labeling and safety;
- The impact of nutritional, health and other scientific inquiries and conclusions, which constantly evolve and often have contradictory implications, but nonetheless drive popular opinion, litigation and regulation in ways that could be material to our business;

- The risks and costs of McDonald's nutritional labeling and other disclosure practices, particularly given differences among applicable legal requirements and practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and the need to rely on the accuracy and completeness of information obtained from third party suppliers;
- The risks and costs to us and on our supply chain of increased focus by U.S. and overseas governmental authorities on environmental matters, particularly in the area of climate change and the reduction of greenhouse gases, as well as related matters, such as water consumption;
- The impact of litigation trends, particularly in our major markets, including class actions, labor and employment claims and landlord/tenant disputes, the relative level of our defense costs, which vary from period to period depending on the number, nature and procedural status of pending proceedings; and the cost and other effects of settlements or judgments, which may require us to make disclosures or take other actions that may affect perceptions of our Brand and products;
- Adverse results of pending or future litigation, including litigation challenging the composition of our products or the appropriateness or accuracy of our advertising or other communications;
- The increasing costs and other effects of compliance with U.S. and overseas regulations affecting our workforce and labor practices, including regulations relating to wage and hour practices, job classifications, mandatory healthcare benefits, unlawful workplace discrimination and immigration;
- The impact of the current economic conditions on unemployment levels and consumer confidence and the effect of initiatives to stimulate economic recovery and to stabilize or further regulate financial markets on the cost and availability of funding for the Company and its franchisees, inflation and foreign exchange rates;
- Disruptions in our operations or price volatility in a market that can result from governmental actions, such as price or import-export controls, increased tariffs or government-mandated closure of our or our vendors' operations, and the cost and disruption of responding to governmental investigations or proceedings, whether or not they have merit;
- The risks associated with information security and the use of cashless payments, such as increased investment in technology, the costs of compliance with privacy, consumer protection and other laws, the impact on our margins as the use of cashless payments increases, the potential costs associated with alleged security breaches and the loss of consumer confidence that may result; and
- The impact of changes in financial reporting requirements, accounting principles or practices, related legal or regulatory interpretations or our critical accounting estimates, changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the IRS or other taxing authorities in connection with our tax audits, all of which will depend on their timing, nature and scope.

Our results and financial condition are affected by our ownership mix and whether we can achieve a mix that optimizes margins and returns, while meeting our business needs and customer expectations.

Our refranchising strategy, which involves a shift to a greater percentage of franchised restaurants, affects our results. The shift reduces consolidated revenues as Company-operated sales shift to franchised sales, where we receive rent and/or royalties. It also reduces Company-operated margin dollars while increasing franchised margin dollars, with the impact on margin percentages varying based on sales and operating costs of the refranchised restaurants. Our refranchising strategy can also expose us to risks, including the following:

- Whether the franchisees and licensees we select will have the experience and financial resources in the relevant markets to be effective operators of McDonald's restaurants;
- Potential ongoing payment obligations as a result of our retention of any contingent liabilities in connection with refranchising transactions, such as the indemnification obligations we may incur as a result of the Latam transaction; and
- The risk that our contractual and other rights and remedies to protect against defaults by our counterparties will be limited by local law, costly to exercise or otherwise subject to limitations or litigation that may impair our ability to prevent or mitigate any adverse impact on our Brand or on the financial performance we expect under our franchising and developmental license agreements.

The trading volatility and price of our common stock may be affected by many factors.

Many factors affect the volatility and price of our common stock in addition to our operating results and prospects. The most important of these, some of which are outside our control, are the following:

- The current uncertain global economic conditions and market volatility;
- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the United States which is the principal trading market for our common stock, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to our

business;

- Trading activity in our common stock or trading activity in our derivative instruments with respect to our common stock or debt securities, which can reflect market commentary or expectations (including commentary that may be unreliable or incomplete in some cases) about our business, our creditworthiness or investor confidence generally; actions by shareholders and others seeking to influence our business strategies; sales of large blocks of our stock or portfolio rebalancing activities by significant shareholders; or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average;
- The impact of our stock repurchase program, dividend rate or changes in our debt levels that may affect our credit ratings, interest expense, ability to obtain funding on favorable terms or our operating or financial flexibility, especially if lenders impose new operating or financial covenants; and
- The impact on our results of other corporate actions, such as those we may take from time to time as part of our continuous review of our corporate structure in light of business, legal and tax considerations.

Our results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters.

Severe weather conditions, terrorist activities, health epidemics or pandemics or the prospect of these events can have an adverse impact on consumer spending and confidence levels or on other factors that affect our results and prospects, such as commodity costs. Our receipt of proceeds under any insurance we maintain with respect to certain of these risks may be delayed or the proceeds may be insufficient to offset our losses fully.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2008 regarding this matter.

Item 4. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2009. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such officers also confirm that there was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

• Allergens

Plaintiffs have filed numerous complaints against the Company (and in some instances our franchisee or a franchisee's operating company), alleging that McDonald's misrepresented its french fries and hash browns as free of wheat, gluten and/or milk, when the french fries and hash browns allegedly contain derivatives of wheat, gluten and/or milk. The complaints include claims for violation of state consumer fraud acts, unfair competition or deceptive trade practices acts, strict liability, failure to warn, negligence, breach of express and implied warranties, fraud and fraudulent concealment, negligent misrepresentation and concealment, unjust enrichment, and false advertising. They seek to recover unspecified compensatory and punitive damages, restitution and disgorgement of profits, and attorneys' fees.

A number of these cases are pending in the Federal District Court for the Northern District of Illinois. Some of the cases pending in the Northern District of Illinois have been combined into one action that seeks to form a national class of consumers, generally defined as individuals who purchased McDonald's french fries and hash browns and who have allergies or sensitivities to consumption of wheat and/or dairy products. The first case of this type, *Debra Moffatt v. McDonald's Corporation* (MDL Case No. 06-cv-4467), was filed on February 17, 2006. On May 6, 2009, the Court denied the consolidated plaintiffs' motion for class certification. The other cases pending in the Northern District of Illinois seek damages only for an individual plaintiff or a minor child on whose behalf the action was brought and have been transferred and assigned to the same federal judge.

The previously identified case that was pending in the Circuit Court of Palm Beach County, Florida, *Annalise Chimiak v. McDonald's Corporation and R&L Partnership* (Case No. 2006CA3337), has been resolved. The remainder of the cases (all of which seek damages only for an individual plaintiff) are pending in state courts. Two of these cases are pending in the Circuit Court of Palm Beach County, Florida and have been consolidated for pretrial purposes. The remaining cases are pending in state courts in Illinois, Texas and Virginia.

The Company believes that it has substantial legal and factual defenses to the plaintiffs' claims and intends to defend its interests vigorously.

Item 1A. Risk Factors

This report contains certain forward-looking statements which reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties. These and other risks are noted in the Risk Factors and Cautionary Statement Regarding Forward-Looking Statements following Management's Discussion and Analysis.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the three months ended June 30, 2009:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased Under the Program *	Maximum Dollar Amount that May Yet Be Purchased Under the Program *
April 1-30, 2009	4,608,188	\$54.97	4,608,188	\$3,362,314,000
May 1-31, 2009	4,783,817	\$54.52	4,783,817	3,101,502,000
June 1-30, 2009	5,043,090	\$58.11	5,043,090	2,808,459,000
Total	14,435,095	\$55.92	14,435,095	\$2,808,459,000

* On September 12, 2007, the Company's Board of Directors approved a share repurchase program that authorizes the purchase of up to \$10 billion of the Company's outstanding common stock with no specified expiration date. As of June 30, 2009, the maximum dollar amount that may yet be purchased under the program was \$2,808,459,000. Subject to applicable law, the Company may repurchase shares directly in the open market, in privately negotiated transactions, or pursuant to derivative instruments and plans complying with Rule 10b5-1, among other types of transactions and arrangements.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The 2009 Annual Meeting of Shareholders was held on May 27, 2009.
- (b) See Item 4(c) below.
- (c) At the 2009 Annual Meeting of Shareholders, the shareholders voted on the following matters: (1) the election of four directors to serve until the 2012 Annual Meeting of Shareholders; (2) the approval of the appointment of an independent registered public accounting firm for 2009; (3) the approval of performance goals for certain qualified performance-based awards under the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan; (4) the approval of the McDonald's Corporation 2009 Cash Incentive Plan; (5) a shareholder proposal relating to a shareholder vote on executive compensation; and (6) a shareholder proposal relating to the use of cage-free eggs. The voting results were as follows:

(1) In the election of directors, each nominee was elected by a vote of the shareholders as follows:

Director	FOR	AGAINST	ABSTAIN
Robert A. Eckert	908,170,380	38,175,543	1,868,623
Enrique Hernandez, Jr.	891,152,732	54,730,850	2,330,964
Jeanne P. Jackson	932,045,335	14,203,661	1,965,550
Andrew J. McKenna	899,530,656	46,654,889	2,029,001

Additional directors, whose terms of office as directors continued after the Annual Meeting of Shareholders, are as follows:

Term Expiring in 2010	Terms Expiring in 2011
Ralph Alvarez	Susan E. Arnold
Walter E. Massey	Richard H. Lenny
John W. Rogers, Jr.	Cary D. McMillan
Roger W. Stone	Sheila A. Penrose
Miles D. White	James A. Skinner

(2) The proposal to approve the appointment of an independent registered public accounting firm to serve as independent auditors for 2009 was approved by shareholders as follows:

FOR	AGAINST	ABSTAIN
936,097,635	10,511,517	1,605,394

(3) The proposal to approve performance goals for certain qualified performance-based awards under the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan was approved by shareholders as follows:

FOR	AGAINST	ABSTAIN
900,537,798	43,202,453	4,474,295

(4) The proposal to approve the McDonald's Corporation 2009 Cash Incentive Plan was approved by shareholders as follows:

FOR	AGAINST	ABSTAIN
905,506,323	37,549,339	5,158,884

(5) The shareholder proposal relating to a shareholder vote on executive compensation was not approved by shareholders as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
348,537,776	393,524,983	50,990,908	155,927,674

(6) The shareholder proposal relating to the use of cage-free eggs was not approved by shareholders as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
38,951,294	620,952,673	133,149,700	155,928,573

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
(3)	(a) Restated Certificate of Incorporation, effective as of March 24, 1998, incorporated herein by reference from Form 8-K, dated April 17, 1998.
	(b) By-Laws, as amended and restated with effect as of December 4, 2008, incorporated herein by reference from Form 8-K, dated December 4, 2008.
(4)	Instruments defining the rights of security holders, including Indentures: *
	(a) Senior Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(b) Subordinated Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(c) Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 33-12364), filed March 3, 1987.
(10)	Material Contracts
	(a) Directors' Deferred Compensation Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated November 28, 2007.**
	(b) McDonald's Excess Benefit and Deferred Bonus Plan, effective January 1, 2008, as amended and restated July 8, 2008, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2008.**
	(i) First Amendment to the McDonald's Excess Benefit and Deferred Bonus Plan, effective as of October 21, 2008, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**
	(c) McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Form 10-K, for the year ended December 31, 2001.**
	(i) First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Form 10-K, for the year ended December 31, 2002.**
	(ii) Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Form 10-K, for the year ended December 31, 2004.**
	(d) 1975 Stock Ownership Option Plan, as amended and restated July 30, 2001, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2001.**
	(i) First Amendment to McDonald's Corporation 1975 Stock Ownership Option Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2007.**
	(e) 1992 Stock Ownership Incentive Plan, as amended and restated January 1, 2001, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2001.**

- (i) First Amendment to McDonald's Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2007.**
 - (f) 1999 Non-Employee Director Stock Option Plan, as amended and restated September 12, 2000, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2000.**
 - (g) McDonald's Corporation Executive Retention Replacement Plan, effective as of December 31, 2007 (as amended and restated on December 31, 2008), incorporated herein by reference from Form 10-K, for the year ended December 31, 2008.**
 - (h) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, filed herewith.**
 - (i) First amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-K, for the year ended December 31, 2008.**
 - (i) Form of McDonald's Corporation Tier I Change of Control Employment Agreement, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**
 - (j) McDonald's Corporation 2009 Cash Incentive Plan, effective as of May 27, 2009, filed herewith.**
 - (k) Form of Stock Option Grant Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.**
 - (l) Form of Restricted Stock Unit Award Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.**
 - (m) McDonald's Corporation Severance Plan, effective January 1, 2008, incorporated by reference from Form 8-K, dated November 28, 2007.**
 - (i) First Amendment of McDonald's Corporation Severance Plan, effective as of October 1, 2008, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**
 - (n) Employment Contract between Denis Hennequin and the Company, dated February 26, 2007, incorporated herein by reference from Form 10-K, for the year ended December 31, 2006.**
 - (o) Amended Assignment Agreement between Timothy Fenton and the Company, dated January 2008, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**
 - (i) 2009 Amendment to the Amended Assignment Agreement between Timothy Fenton and the Company, effective as of January 1, 2009, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2009.**
 - (p) Relocation Agreement between Timothy Fenton and the Company, dated January 12, 2006, incorporated herein by reference from Form 10-K, for the year ended December 31, 2006.**
 - (q) Description of Restricted Stock Units granted to Andrew J. McKenna, filed herewith.**
 - (r) Terms of the Restricted Stock Units granted pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2008.**
 - (s) McDonald's Corporation Target Incentive Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated January 23, 2008.**
 - (t) Terms of equity compensation awards granted in the European Union pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**
- (12) Computation of ratio of earnings to fixed charges.
 - (31.1) Rule 13a-14(a) Certification of Chief Executive Officer.
 - (31.2) Rule 13a-14(a) Certification of Chief Financial Officer.
 - (32.1) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - (32.2) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - (101.INS) XBRL Instance Document.***

(101.SCH) XBRL Taxonomy Extension Schema Document.***
(101.CAL) XBRL Taxonomy Extension Calculation Linkbase Document.***
(101.LAB) XBRL Taxonomy Extension Label Linkbase Document.***
(101.PRE) XBRL Taxonomy Extension Presentation Linkbase Document.***

* Other instruments defining the rights of holders of long-term debt of the registrant and all of its subsidiaries for which consolidated financial statements are required to be filed and which are not required to be registered with the Commission, are not included herein as the securities authorized under these instruments, individually, do not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. An agreement to furnish a copy of any such instruments to the Commission upon request has been filed with the Commission.

** Denotes compensatory plan.

*** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be “furnished” and not “filed”.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

McDONALD'S CORPORATION
(Registrant)

August 6, 2009

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and
Chief Financial Officer*

McDONALD'S CORPORATION
AMENDED AND RESTATED 2001 OMNIBUS STOCK OWNERSHIP PLAN
Approved by shareholders May 20, 2004

THE PLAN

McDonald's Corporation, a Delaware corporation (the "Company"), established the McDonald's Corporation 2001 Omnibus Stock Ownership Plan (as in effect from time to time through February 11, 2009, the "Plan"), and the Plan was approved by the Company's stockholders at the May 17, 2001 Annual Meeting. The Plan as originally so established became effective as of May 17, 2001 and permitted the grant of stock options, restricted stock, stock appreciation rights, performance units, stock bonuses and other stock-based awards.

The Plan was amended and restated effective as of March 18, 2004 and, as so amended and restated, was approved by the Company's stockholders at the May 20, 2004 Annual Meeting. The Plan as so amended permits the grant of stock options, restricted stock, stock appreciation rights, stock bonuses, dividend equivalents and other stock-based awards. The Plan is amended as of July 1, 2008 and, as so amended, incorporates updates to conform to applicable tax regulations and administrative modifications.

This Plan as amended through July 1, 2008 applies to all Awards (as hereinafter defined) granted on or after July 1, 2008 and to all Awards outstanding as of July 1, 2008, subject in each case to variations as required to comply with local laws and regulations applicable outside the United States; provided, however, that the requirement to execute and deliver a release of claims as set forth in Sections 12(d)(2) and 12(f) of the Plan applies only to Awards granted on or after February 13, 2008.

1. Purpose

The purpose of this Plan is to advance the interest of the Company by encouraging and enabling the acquisition of a larger personal financial interest in the Company by those employees and non-employee directors and senior directors upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. It is anticipated that the acquisition of such financial interest and Stock ownership will stimulate the efforts of such employees and directors on behalf of the Company, strengthen their desire to continue in the service of the Company, and encourage shareholder and entrepreneurial perspectives through Stock ownership. It is also anticipated that the opportunity to obtain such financial interest and Stock ownership will prove attractive to promising new employees and will assist the Company in attracting such employees.

2. Definitions

As used in this Plan, the terms set forth below shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

(a) "*Affiliate Service*" of a Grantee who is an employee of the Company means the Grantee's Company Service plus the Grantee's aggregate number of years of employment with any Subsidiary during the period before it became a Subsidiary, unless the Committee determines otherwise in connection with an entity's becoming a Subsidiary.

(b) "*Award*" means any stock options, shares of restricted stock, stock appreciation rights, stock bonuses, dividend equivalents and other stock-based awards granted under this Plan. In addition, for purposes of Section 3(d) only, "*Award*" means any award granted under any Prior Plan.

(c) "*Award Agreement*" has the meaning specified in Section 4(c)(iv).

(d) "*Board*" means the Board of Directors of the Company.

(e) "*Business Combination*" has the meaning specified in Section 2(g)(iii).

(f) "*Business Day*" means any day on which the principal securities exchange on which the shares of the Company's common stock are then listed or admitted to trading is open.

(g) "*Cause*" means (i) in the case of a Grantee who is an employee of the Company or a Subsidiary, the Grantee's commission of any act or acts involving dishonesty, fraud, illegality or moral turpitude, and (ii) in the case of a Grantee who is a non-employee director or senior director of the Company, cause pursuant to Article Thirteenth (c) of the Company's Restated Certificate of Incorporation.

(h) “*Change in Control*” means the happening of any of the following events:

(i) the acquisition by any Person of “beneficial ownership” (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of either (A) the then-outstanding shares of Stock (“Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section 2(g)(i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (4) any acquisition by any entity pursuant to a transaction that complies with Sections 2(g)(iii)(A), (B) and (C); or

(ii) individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company and/or any entity controlled by the Company, or a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any entity controlled by the Company (each, a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(i) “*Code*” means the U.S. Internal Revenue Code of 1986, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the Code shall include references to successor provisions.

(j) “*Committee*” has the meaning specified in Section 4(a).

(k) “*Company*” has the meaning specified in the first paragraph.

(l) “*Company Service*” of a Grantee who is an employee of the Company or a Subsidiary means the Grantee’s aggregate number of years of employment with the Company and its Subsidiaries during periods when those entities were Subsidiaries.

(m) “*Disability*” as it regards employees, shall mean (a) a mental or physical condition for which the employee is receiving or is eligible to receive benefits under the McDonald’s Corporation Long-Term Disability Plan or other long-term disability plan maintained by the employee’s employer or (b) a mental or physical condition which, with or without reasonable accommodations, renders an employee permanently unable or incompetent to carry out the job responsibilities he held or tasks to which he was assigned at the time the condition was incurred, with such determination to be made by the Committee on the basis of such medical and other competent evidence as the Committee in its sole discretion shall deem relevant.

“Disability” as it regards non-employee directors and senior directors means a physical or mental condition that prevents the director from performing his or her duties as a member of the Board or a senior director, as applicable, and that is expected to be permanent or for an indefinite duration exceeding one year.

(n) “*Disaffiliation*” of a Subsidiary means the Subsidiary’s ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary).

(o) “*Dividend equivalent*” means an Award made pursuant to Section 6(g).

(p) “*Effective Date*” means March 18, 2004.

(q) “*Fair Market Value*” of any security of the Company means, as of any applicable date, the closing price of the security at the close of normal trading hours on the New York Stock Exchange, or, if no such sale of the security shall have occurred on such date, on the next preceding date on which there was such a sale.

(r) “*Foreign Equity Incentive Plan*” has the meaning specified in Section 14.

(s) “*Grant Date*” has the meaning specified in Section 6(a)(i).

(t) “*Grantee*” means an individual who has been granted an Award.

(u) “*Immediate Family*” means a Grantee’s spouse, children, grandchildren, stepchildren, parents, stepparents, grandparents, siblings, nieces, nephews and in-laws.

(v) “*including*” or “*includes*” means “including, without limitation,” or “includes, without limitation.”

(w) “*Incumbent Board*” has the meaning specified in Section 2(g)(ii).

(x) “*Minimum Consideration*” means \$.01 per share or such larger amount determined pursuant to resolution of the Board to be “capital” (within the meaning of Section 154 of the Delaware General Corporation Law).

(y) “*Minimum Vesting Requirement*” means a requirement that (A) in the case of Awards to which the Minimum Vesting Requirement applies covering up to an aggregate of 2.5 million shares (subject to adjustment as provided in Section 22), that such Awards become nonforfeitable not sooner than the first anniversary of the Grant Date; and (B) in the case of all other Awards to which the Minimum Vesting Requirement applies, that such Awards become nonforfeitable not more rapidly than in three equal installments on each of the first three anniversaries of the Grant Date; in either case, subject to Sections 12, 13 and 21.

(z) “*1934 Act*” means the Securities Exchange Act of 1934, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the 1934 Act shall include references to successor provisions.

(aa) “*non-employee director*” means a member of the Board who is not an employee of the Company.

(bb) “*Option Price*” means the per-share purchase price of Stock subject to a stock option.

(cc) “*other stock-based award*” means an Award made pursuant to Section 6(h).

(dd) “*Outstanding Company Common Stock*” has the meaning specified in Section 2(g)(i).

(ee) “*Outstanding Company Voting Securities*” has the meaning specified in Section 2(g)(i).

(ff) “*Performance Percentage*” has the meaning specified in Section 6(f)(i)(C).

(gg) “*Permissible Transferee*” has the meaning specified in Section 8.

(hh) “*Person*” means any “*individual*,” “*entity*” or “*group*,” within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(ii) “*Policy Violation*” means termination resulting from the commission of any act or acts which violate the Standards of Business Conduct.

(jj) “*Prior Plan*” means the McDonald’s Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, and the McDonald’s Corporation 1975 Stock Ownership Option Plan, as amended and restated.

(kk) “*Qualified Performance-Based Award*” means any Award that is intended to qualify for the Section 162(m) Exemption, as provided in Section 23.

(ll) “*Qualified Performance Goal*” means a performance goal established by the Committee in connection with the grant of a Qualified Performance-Based Award, which (i) is based on the attainment of specified levels of one or more Specified Performance Goals, and (ii) is set by the Committee within the time period prescribed by Section 162(m) of the Code; provided, that in the case of a stock option or stock appreciation right, the Qualified Performance Goal shall be considered to have been established without special action by the Committee, by virtue of the fact that the Stock subject to such Award must increase in value over its Fair Market Value on the Grant Date (or over a higher value) in order for the Grantee to realize any compensation from exercising the stock option or stock appreciation right.

(mm) “*Retirement*” as it regards employees means a Termination of Employment any time after attaining either (i) age 60 with at least 20 years of Affiliate Service, or (ii) combined age and years of Affiliate Service equal to or greater than 70, other than a Termination of Employment for Cause (including a Termination of Employment for Cause as a result of a Policy Violation).

“*Retirement*” as it regards non-employee directors and senior directors means Termination of Directorship with at least 10 years of service as a member of the Board and/or a senior director or after age 70.

(nn) “*Section 16 Grantee*” means an individual subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions involving equity securities of the Company.

(oo) “*Section 162(m) Exemption*” means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(pp) “*Service-Vesting Award*” means an Award, the vesting of which is contingent solely on the continued service of the Grantee as an employee of the Company and its Subsidiaries or as a non-employee director or a senior director of the Company.

(qq) “*Special Circumstances*” for a Termination of Employment of a Grantee means (i) the Grantee’s employment was terminated by the Company or a Subsidiary without Cause, or (ii) the Grantee becomes an owner-operator of a McDonald’s restaurant in connection with the Termination of Employment.

(rr) “*Specified Performance Goal*” means any of the following measures as applied to the Company as a whole or to any Subsidiary, division or other unit of the Company: revenue; operating income; net income; basic or diluted earnings per share; return on revenue; return on assets; return on equity; return on total capital; or total shareholder return.

(ss) “*Standards of Business Conduct*” means the Standards of Business Conduct of the Company or a Subsidiary or any successor thereto (including underlying policies or policies specifically referenced therein), as the same is effect and applicable to the Grantee at of the time of the Grantee’s violation.

(tt) “*Stock*” means the common stock of the Company, par value \$.01 per share.

(uu) “*Subsidiary*” means any entity in which the Company directly or through intervening subsidiaries owns 25% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 25% or more interest in the capital and profits.

(vv) “*Tendered Restricted Stock*” has the meaning specified in Section 9(a).

(ww) “*Termination of Directorship*” means the first date upon which a non-employee director or a senior director is neither a member of the Board nor a senior director.

(xx) “*Termination of Employment*” of a Grantee means the termination of the Grantee’s employment with the Company and the Subsidiaries. A Grantee employed by a Subsidiary also shall be deemed to incur a Termination of Employment if there occurs a Disaffiliation of that Subsidiary, unless either (i) the Grantee is, immediately after the Disaffiliation, an employee of the Company or one of the remaining Subsidiaries, or (ii) in connection with the Disaffiliation, the Awards held by the Grantee are assumed, or replaced with new awards, by the former Subsidiary or an entity that controls the former Subsidiary following the Disaffiliation.

(yy) “Unit Value” has the meaning specified in Section 9(c)(iii).

3. Scope of this Plan

(a) The total number of shares of Stock delivered to Grantees pursuant to this Plan shall not exceed 116.5 million, subject to the other provisions of this Section 3 and to adjustment as provided in Section 22. Such shares may be treasury shares or newly-issued shares or both, as may be determined from time to time by the Board or by the Committee appointed pursuant to Section 4.

(b) Subject to adjustment as provided in Section 22, the maximum number of shares of Stock for which stock options and stock appreciation rights may be granted to any Grantee in any one-year period shall be 2 million, and the maximum number of shares of Stock that may be granted to any Grantee in any one-year period in the form of restricted stock, dividend equivalents (other than dividend equivalents that are part of another Award), and other stock-based awards, in each case that are Qualified Performance-based Awards, shall be 500,000 (provided, that in the case of dividend equivalents, the number of shares taken into account for this purpose shall be the number of shares with respect to which the dividend equivalents are calculated). Subject to the other provisions of this Section 3 and subject to adjustment as provided in Section 22, not more than 500,000 bonus shares of Stock may be granted under this Plan.

(c) If and to the extent an Award granted under this Plan shall, after the Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for other Awards. In no event shall the number of shares of Stock considered to be delivered pursuant to the exercise of a stock appreciation right include the shares that represent the grant or exercise price thereof, which shares are not delivered to the Grantee upon exercise.

(d) If and to the extent an Award granted under a Prior Plan shall, after the Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for Awards under this Plan. If, after the Effective Date, a Grantee uses shares of Stock owned by the Grantee (by either actual delivery or by attestation) to pay the Option Price of any stock option granted under this Plan or a Prior Plan or to satisfy any tax-withholding obligation with respect to an Award granted under this Plan or a Prior Plan, the number of shares of Stock delivered or attested to shall be added to the number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to a stock option granted under this Plan are withheld, after the Effective Date, to satisfy the Option Price of that stock option, or any shares of Stock subject to an Award granted under this Plan are withheld to satisfy any tax-withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to an Award granted under a Prior Plan are withheld, after the Effective Date, to satisfy any tax-withholding obligation, such shares shall be added to the maximum number of shares of Stock available for delivery under this Plan. Notwithstanding the foregoing, no shares of Stock that become available for Awards granted under this Plan pursuant to the foregoing provisions of this Section 3(d) shall be available for grants of incentive stock options pursuant to Section 6(c).

4. Administration

(a) Subject to Section 4(b), this Plan shall be administered by a committee appointed by the Board (the “Committee”). All members of the Committee shall be “outside directors” (as defined or interpreted for purposes of the Section 162(m) Exemption). The composition of the Committee also shall be subject to such limitations as the Board deems appropriate to permit transactions in Stock pursuant to this Plan to be exempt from liability under Rule 16b-3 under the 1934 Act and to satisfy the “independence” requirements of any national securities exchange on which the Stock is listed.

(b) The Board may, in its discretion, reserve to itself any or all of the authority and responsibility of the Committee. To the extent that the Board has reserved to itself the authority and responsibility of the Committee, all references to the Committee in this Plan shall be deemed to refer to the Board.

(c) The Committee shall have full and final authority, in its discretion, but subject to the express provisions of this Plan (including without limitation Section 23(e)), as follows:

(i) to grant Awards,

(ii) to determine (A) when Awards may be granted, and (B) whether or not specific Awards shall be identified with other specific Awards, and, if so, whether they shall be exercisable cumulatively with or alternatively to such other specific Awards,

(iii) to interpret this Plan and to make all determinations necessary or advisable for the administration of this Plan,

(iv) to determine all terms and provisions of all Awards, including without limitation any restrictions or conditions (including specifying such performance criteria as the Committee deems appropriate, and imposing restrictions with respect to Stock acquired upon exercise of a stock option, which restrictions may continue beyond the Grantee's Termination of Employment or Termination of Directorship, as applicable), which shall be set forth in a written agreement for each Award (the "Award Agreements"), which need not be identical, and, with the consent of the Grantee, to modify any such Award Agreement at any time,

(v) to adopt or to authorize foreign Subsidiaries to adopt Foreign Equity Incentive Plans as provided in Section 14,

(vi) to delegate any or all of its duties and responsibilities under this Plan to any individual or group of individuals it deems appropriate, except its duties and responsibilities with respect to Section 16 Grantees and with respect to Qualified Performance-Based Awards, and (A) the acts of such delegates shall be treated hereunder as acts of the Committee and (B) such delegates shall report to the Committee regarding the delegated duties and responsibilities,

(vii) to accelerate the exercisability of, and to accelerate or waive any or all of the restrictions and conditions applicable to, any Award or any group of Awards, other than the Minimum Vesting Requirement, for any reason, solely to the extent that any such acceleration or waiver would not cause any tax to become due under Section 409A of the Code,

(viii) subject to Section 6(a)(ii), to extend the time during which any Award or group of Awards may be exercised or earned, solely to the extent that any such extension would not cause any tax to become due under Section 409A of the Code,

(ix) to make such adjustments or modifications to Awards to Grantees working outside the United States as are necessary and advisable to fulfill the purposes of this Plan,

(x) to impose such additional conditions, restrictions and limitations upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including requiring simultaneous exercise of related identified Awards and limiting the percentage of Awards that may from time to time be exercised by a Grantee, and

(xi) to prescribe rules and regulations concerning the transferability of any Awards, and to make such adjustments or modifications to Awards transferable pursuant to Section 8 as are necessary and advisable to fulfill the purposes of this Plan.

(d) The determination of the Committee on all matters relating to this Plan or any Award Agreement shall be made in its sole discretion, and shall be conclusive and final. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award.

5. Eligibility

Awards may be granted to any employee (including any officer) of the Company or any of its domestic Subsidiaries, any employee, officer or director of any of the Company's foreign Subsidiaries (provided, that in the case of an employee, officer or director of a domestic or foreign Subsidiary in which the Company owns less than 50% of the total combined voting power or value of all classes of stock, Awards may be granted only where there is a sufficient nexus between such employee, officer or director and the Company so that the grant serves a genuine business purpose of the Company) and to any non-employee director or senior director of the Company. In selecting the individuals to whom Awards may be granted, as well as in determining the number of shares of Stock subject to, and the other terms and conditions applicable to, each Award, the Committee shall take into consideration such factors as it deems relevant in promoting the purposes of this Plan.

6. Conditions to Grants

(a) General conditions.

(i) The "Grant Date" of an Award shall be the date on which the Committee grants the Award or such later date as specified in advance by the Committee.

(ii) The term of each Award shall be a period of 10 years from the Grant Date; provided, that the Committee may determine not later than the Grant Date that the term of an Award will be a different period, not longer than 15 years from the Grant Date; and provided, further, that in any event the term of each Award shall be subject to earlier termination as herein provided.

(iii) A Grantee may, if otherwise eligible, be granted additional Awards in any combination.

(b) *Grant of Stock Options and Option Price.* A stock option represents the right to purchase a share of Stock at a predetermined Option Price. No later than the Grant Date of any stock option, the Committee shall establish the Option Price of such stock option. The per-share Option Price of a stock option shall not be less than 100% of the Fair Market Value of a share of the Stock on the Grant Date. Such Option Price shall be subject to adjustment as provided in Section 22. The applicable Award Agreement may provide that the stock option shall be exercisable for restricted stock.

(c) *Grant of Incentive Stock Options.* At the time of the grant of any stock option, the Committee may designate such stock option as an “incentive stock option” as defined in Section 422 of the Code. Any stock option not so designated shall not be an incentive stock option, even if it otherwise meets the requirements of Section 422 of the Code. Any stock option so designated that nevertheless fails (either at the time of grant or at any time thereafter as a result of accelerated vesting or otherwise) to meet the requirements of Section 422 of the Code, in whole or in part, shall be treated as a stock option that is not an incentive stock option to the extent of such failure. The terms of any incentive stock option shall require the Grantee to notify the Committee or its designee of any “disqualifying disposition” (as defined in Section 421(b) of the Code) of any Stock issued pursuant to the exercise of the incentive stock option within 10 days after such disposition.

(d) *Grant of Shares of Restricted Stock.*

(i) Shares of restricted stock are shares of Stock that are awarded to a Grantee and that, during a restricted period, may be forfeitable to the Company upon such conditions as may be set forth in the applicable Award Agreement. Restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered during the restricted period.

(ii) The Committee shall, in its discretion, determine the amount, if any, that a Grantee shall pay for shares of restricted stock, subject to the following sentence. Except with respect to shares of restricted stock that are treasury shares, for which no payment need be required, the Committee shall require the Grantee to pay at least the Minimum Consideration for each share of restricted stock granted to such Grantee. Such payment shall be made in full by the Grantee before the delivery of the shares and in any event no later than 10 days after the Grant Date for such shares.

(iii) The Committee may, but need not, provide that all or any portion of a Grantee’s Award of restricted stock, or restricted stock acquired upon exercise of a stock option, shall be forfeited:

(A) except as otherwise specified in the Award Agreement, upon the Grantee’s Termination of Employment as provided in Section 12, or

(B) if the Company or the Grantee does not achieve specified performance goals (if any) within a specified time period after the Grant Date and before the Grantee’s Termination of Employment, or

(C) upon failure to satisfy such other conditions as the Committee may specify in the applicable Award Agreement; provided, that each such Award that is a Service-Vesting Award shall be subject to the Minimum Vesting Requirement.

(iv) If a share of restricted stock is forfeited, then, if the Grantee was required to pay for such share or acquired such share upon the exercise of a stock option: (A) the Grantee shall be deemed to have resold such share to the Company at the lesser of (1) the amount paid or, if the restricted stock was acquired on exercise of a stock option, the Option Price paid by the Grantee for such share, or (2) the Fair Market Value of a share of Stock on the date of such forfeiture; (B) the Company shall pay to the Grantee the amount determined under clause (A) of this sentence as soon as is administratively practical; and (C) such share shall cease to be outstanding, and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the later of the date the event causing the forfeiture occurred or the date of the Company’s tender of the payment specified in clause (B) of this sentence, whether or not such tender is accepted by the Grantee.

(v) The Committee may provide that any share of restricted stock shall be held (together with a stock power executed in blank by the Grantee) in escrow by the Secretary of the Company until such share becomes nonforfeitable or is forfeited. Any share of restricted stock shall bear an appropriate legend specifying that such share is non-transferable and subject to the restrictions set forth in this Plan and the applicable Award Agreement. If any share of restricted stock becomes nonforfeitable, the Company shall cause the certificate for such share to be issued or reissued without such legend.

(e) *Grant of Stock Appreciation Rights.* A stock appreciation right represents the right to receive a payment, in cash, shares of Stock or both (as determined by the Committee) equal to the excess of the Fair Market Value, on the date such Fair Market Value is determined, of a specified number of shares of Stock, over the Award's grant or exercise price, if any. When granted, stock appreciation rights may, but need not, be identified with shares of Stock subject to a specific stock option or specific shares of restricted stock of the Grantee (including any stock option or shares of restricted stock granted on or before the Grant Date of the stock appreciation rights) in a number equal to or different from the number of shares of Stock subject to the stock appreciation rights so granted. If stock appreciation rights are identified with shares of Stock subject to a stock option or with shares of restricted stock then, unless otherwise provided in the applicable Award Agreement, the Grantee's associated stock appreciation rights shall terminate upon, and to the extent of, (i) the expiration, termination, forfeiture or cancellation of such stock option or shares of restricted stock, or (ii) the date such shares of restricted stock become nonforfeitable.

(f) *Grant of Stock Bonuses.* The Committee may, in its discretion, grant shares of Stock to any employee eligible under Section 5 to receive Awards, other than executive officers of the Company.

(g) *Grant of Dividend Equivalents.* The Committee may, in its discretion, grant dividend equivalents, which represent the right to receive cash payments or shares of Stock measured by the dividends payable with respect to specific shares of Stock or a specified number of shares of Stock. Dividend equivalents may be granted as part of another type of Award or as a separate Award, and shall be subject to such terms and conditions as the Committee shall determine; provided, that the Committee shall not provide for payment of dividend equivalents in a manner that would cause any tax to become due under Section 409A of the Code.

(h) *Grant of Other Stock-Based Awards.* The Committee may, in its discretion, grant other stock-based awards. These are Awards, other than stock options, stock appreciation rights, restricted stock, stock bonuses, and dividend equivalents, that are denominated in, valued, in whole or in part, by reference to, or otherwise based on or related to, Stock. The purchase, exercise, exchange or conversion of other stock-based awards granted under this Section 6(h) shall be on such terms and conditions and by such methods as shall be specified by the Committee. If the value of an other stock-based award is based on the difference between the excess of the Fair Market Value, on the date such Fair Market Value is determined, over such Award's exercise or grant price, the exercise or grant price for such an Award will not be less than 100% of the Fair Market Value on the Grant Date. If the value of such an Award is based on the full value of a share of Stock, and the Award is a Service-Vesting Award, then such Award shall be subject to the Minimum Vesting Requirement.

7. Grantee's Agreement to Serve

The Committee may, in its discretion, require each Grantee who is granted an Award to, execute such Grantee's Award Agreement, and to agree that such Grantee will remain in the employ of the Company or any of its Subsidiaries or remain as a non-employee director or senior director, as applicable, for at least one year after the Grant Date. No obligation of the Company or any of its Subsidiaries as to the length of any Grantee's employment or service as a non-employee director or senior director shall be implied by the terms of this Plan, any grant of an Award hereunder or any Award Agreement. The Company and its Subsidiaries reserve the same rights to terminate employment of any Grantee as existed before the Effective Date.

8. Non-Transferability

Each Award (other than restricted stock) granted hereunder shall not be assignable or transferable other than by will or the laws of descent and distribution; provided, however, that a Grantee may, in a manner set forth in rules established by the Committee:

(a) designate in writing a beneficiary to exercise his or her Award after the Grantee's death; (b) transfer a stock option (other than an incentive stock option), stock appreciation right or other stock-based award to a revocable *inter vivos* trust as to which the Grantee is both the settlor and the trustee; and (c) if permitted by the Committee pursuant to its rules, transfer an Award (other than restricted stock or an incentive stock option) for no consideration to any of the following permissible transferees (each a "Permissible Transferee"): (i) any member of the Immediate Family of the Grantee to whom such Award was granted, (ii) any trust for the benefit of members of the Grantee's Immediate Family, (iii) any partnership whose partners are members of the Grantee's Immediate Family or (iv) Ronald McDonald House Charities or any Ronald McDonald House; and further provided that (A) the transferee shall remain subject to all of the terms and conditions applicable to such Award prior to such transfer; (B) any such transfer shall be subject to and in accordance with the rules and regulations prescribed by the Committee in accordance with Section 4(c)(xi), and (C) except as otherwise expressly provided for in this Plan or in the Transfer Rules, a Permissible Transferee shall have all the rights and obligations of the Grantee hereunder and the Grantee shall not retain any rights with respect to the transferred Award, and further provided that the payment of any tax attributable to the exercise of an Award shall remain the obligation of the Grantee and the period during which an Award shall remain exercisable under Section 12 shall depend upon the time and nature of the Grantee's Termination of Employment. Notwithstanding the foregoing, the Committee may, from time to time, in its sole discretion designate additional individuals, persons or classes as Permissible Transferees, and permit other transfers as the Committee determines to be appropriate.

Each share of restricted stock shall be non-transferable until such share becomes nonforfeitable.

9. Exercise

(a) *Exercise of Stock Options.* Subject to Sections 4(c)(vii), 12, 13 and 21 and such terms and conditions as the Committee may impose, each stock option shall be exercisable as and when determined by the Committee; provided that, unless the Committee determines otherwise, each stock option shall be exercisable in one or more installments commencing not earlier than the first anniversary of the Grant Date of such stock option.

Each stock option shall be exercised by delivery of notice of intent to purchase a specific number of shares of Stock subject to such stock option. Such notice shall be in a manner specified by and satisfactory to the Company. The Option Price of any shares of Stock or shares of restricted stock as to which a stock option shall be exercised shall be paid in full at the time of the exercise. Payment may, at the election of the Grantee, be made in any one or any combination of the following:

- (i) cash,
- (ii) unless otherwise determined by the Committee, Stock owned by the Grantee, valued at its Fair Market Value at the time of exercise,
- (iii) with the approval of the Committee, shares of restricted stock held by the Grantee, each valued at the Fair Market Value of a share of Stock at the time of exercise, or
- (iv) unless otherwise determined by the Committee, through simultaneous sale through a broker of shares acquired on exercise, as permitted under Regulation T of the Board of Governors of the Federal Reserve System.

If shares of Stock or restricted stock are used to pay the Option Price, such shares of Stock or restricted stock must have been held by the Grantee for more than six months prior to exercise of the stock option, unless otherwise determined by the Committee. Such payment may be made by actual delivery or attestation.

If restricted stock is used to pay the Option Price for Stock subject to a stock option ("Tendered Restricted Stock"), then the Committee shall specify which of the following two rules applies: either (i) all the shares of Stock acquired on exercise of the stock option shall be subject to the same restrictions as the Tendered Restricted Stock, determined as of the date of exercise of the stock option, or (ii) a number of shares of Stock acquired on exercise of the stock option equal to the number of shares of Tendered Restricted Stock shall be subject to the same restrictions as the Tendered Restricted Stock, determined as of the date of exercise of the stock option.

(b) *Exercise of Stock Appreciation Rights.* Subject to Sections 4(c)(vii), 12, 13 and 21 and such terms and conditions as the Committee may impose, each stock appreciation right shall be exercisable as and when determined by the Committee; provided that, unless the Committee determines otherwise, each stock appreciation right shall be exercisable not earlier than the first anniversary of the Grant Date of such stock appreciation right, to the extent the stock option with which it is identified, if any, may be exercised, or to the extent the restricted stock with which it is identified, if any, has become nonforfeitable. Stock appreciation rights shall be exercised by delivery to the Company of written notice of intent to exercise a specific number of stock appreciation rights. Unless otherwise provided in the applicable Award Agreement, the exercise of stock appreciation rights that are identified with shares of Stock subject to a stock option or shares of restricted stock shall result in the cancellation or forfeiture of such stock option or shares of restricted stock, as the case may be, to the extent of such exercise.

The benefit for each share as to which a stock appreciation right is exercised shall be equal to:

- (i) the Fair Market Value of a share of Stock on the date of such exercise, reduced by
- (ii) an amount equal to:
 - (A) for any stock appreciation right identified with shares of Stock subject to a stock option, the Option Price of such stock option, unless the Committee in the grant of the stock appreciation right specified a higher amount or
 - (B) for any other stock appreciation right, the Fair Market Value of a share of Stock on the Grant Date of such stock appreciation right, unless the Committee in the grant of the stock appreciation right specified a higher amount; provided that the Committee, in its discretion, may provide that the benefit for any stock appreciation right shall not exceed such percentage of the Fair Market Value of a share of Stock on such Grant Date as the Committee shall specify.

The benefit upon the exercise of a stock appreciation right shall be payable in cash, except that the Committee, may, in its discretion, provide in the Award Agreement that benefits, with respect to any particular exercise, may be paid wholly or partly in Stock.

- (c) *Time of Exercise.* Notwithstanding anything to the contrary herein, in the event that the final date on which any stock option or stock appreciation right would otherwise be exercisable in accordance with the provisions of this Plan (including without limitation Section 12 hereof) is not a Business Day, the last day on which such stock option or stock appreciation right may be exercised is the last Business Day immediately preceding such date.

10. Notification under Section 83(b)

The Committee may, on the Grant Date or any later date, prohibit a Grantee from making the election described below. If the Committee has not prohibited such Grantee from making such election, and the Grantee shall, in connection with the exercise of any stock option, or the grant of any share of restricted stock, make the election permitted under Section 83(b) of the Code (i.e., an election to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code), such Grantee shall notify the Company of such election within 10 days of filing notice of the election with the U.S. Internal Revenue Service, in addition to complying with any filing and notification required pursuant to regulations issued under the authority of Section 83(b) of the Code.

11. Withholding Taxes

(a) Whenever, under this Plan, cash or Stock is to be delivered upon exercise or payment of an Award or a share of restricted stock becomes nonforfeitable, or any other event occurs that results in taxation of a Grantee with respect to an Award, the Company shall be entitled to require (i) that the Grantee remit an amount sufficient to satisfy all U.S. federal, state and local withholding tax requirements related thereto, (ii) the withholding of such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan, (iii) any other method prescribed by the Committee from time to time or (iv) any combination of the foregoing; provided, however, that no amount shall be withheld from any cash payment or shares of Stock relating to an Award that was transferred by the Grantee in accordance with this Plan and such cash payment or delivery to such Permissible Transferee shall in no way be conditioned upon the Grantee's remittance obligation described herein. The Grantee shall be permitted to remit such amount in the form of Stock owned by the Grantee, valued at its Fair Market Value at the time of the remittance (by actual delivery or by attestation).

(b) If any disqualifying disposition (as defined in Section 421(b) of the Code) is made with respect to shares of Stock acquired under an incentive stock option granted pursuant to this Plan or any election described in Section 10 is made, then the individual making such disqualifying disposition or election shall remit to the Company an amount sufficient to satisfy all U.S. federal, state and local withholding taxes thereby incurred; provided, that in lieu of or in addition to the foregoing, the Company shall have the right to withhold such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan.

(c) Notwithstanding the foregoing, in no event shall the amount withheld or remitted in the form of shares of Stock due to a Grantee under this Plan exceed the minimum required by applicable law.

12. Termination of Employment

(a) *For Cause.* If a Grantee has a Termination of Employment for Cause,

(i) the Grantee's shares of restricted stock that are forfeitable shall thereupon be forfeited, subject to the provisions of Section 6(d)(iv) regarding repayment of certain amounts to the Grantee;

(ii) any unexercised stock option or stock appreciation right shall terminate immediately upon such Termination of Employment for Cause; and

(iii) any other Award that has not previously vested shall thereupon be forfeited;

provided, however, that if a Grantee has a Termination of Employment for Cause due solely to a Policy Violation (as determined by the Committee or its delegate in its sole and absolute discretion), the provisions of Section 12(b) (and not the provisions of this Section 12(a)) shall apply.

(b) *For Policy Violation.* If a Grantee has a Termination of Employment for Cause due solely to a Policy Violation (as determined by the Committee or its delegate in its sole and absolute discretion),

(i) the Grantee's shares of restricted stock that are forfeitable shall thereupon be forfeited, subject to the provisions of Section 6(d)(iv) regarding repayment of certain amounts to the Grantee;

(ii) any unexercised stock option or stock appreciation right, to the extent exercisable on the date of the Grantee's Termination of Employment, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, not later than the 90th day following the Grantee's termination of employment; and

(iii) any other Award that has not previously vested shall thereupon be forfeited.

(c) *On Account of Death or Disability.* If a Grantee has a Termination of Employment on account of the Grantee's death or Disability, then:

(i) the Grantee's shares of restricted stock that are Service-Vesting Awards and that were forfeitable shall thereupon become nonforfeitable;

(ii) any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), whether or not exercisable on the date of such Termination of Employment may be exercised, in whole or in part, at any time within three years after such Termination of Employment (or until the 15th anniversary of the Grant Date, if sooner) by the Grantee, or after the Grantee's death, by (A) his or her personal representative or by the person to whom the stock option or stock appreciation right is transferred by will or the applicable laws of descent and distribution, (B) the Grantee's beneficiary designated in accordance with Section 8, (C) the then-acting trustee of the trust described in Section 8(b); or (D) a Permissible Transferee of an Award assigned or transferred in accordance with Section 8; and

(iii) any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(d) *On Account of Retirement.* (i) If a Grantee has a Termination of Employment on account of Retirement after age 60 with 20 years or more of Affiliate Service, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) that is then exercisable or that would have become exercisable within three years of such Retirement if the Grantee had remained employed by the Company or a Subsidiary throughout such three-year period, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, at any time within three years after the Grantee's Retirement or until the 15th anniversary of the Grant Date, if sooner.

(ii) If a Grantee has a Termination of Employment on account of Retirement with combined age and years of Affiliate Service equal to or greater than 70, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) that is then exercisable or that would have become exercisable within three years of such Retirement if the Grantee had remained employed by the Company or a Subsidiary throughout such three-year period may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, at any time within three years after the Grantee's Retirement or until the end of the stated term of the Award, if sooner; provided, that if and to the extent the Committee or its delegate so determines, the Grantee shall be required, in order to receive the foregoing treatment, (A) to provide six months' prior written notice of the Grantee's intention to retire to the officer in charge of the Benefits and Compensation Department in Oak Brook, Illinois, (B) to execute and deliver to the Company a non-competition agreement (in a form reasonably satisfactory to the Committee or such delegate) and/or (C) solely with respect to Awards granted on or after February 13, 2008, to execute and deliver to the Company a release of claims in a form specified by the Committee or its delegate. In the event that the extension of time to exercise stock options or stock appreciation rights as set forth in this Section 12(d) (ii) would result in any of a Grantee's stock options or stock appreciation rights being exercisable at any time later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award), the requirement to provide notice, to execute and deliver a non-competition agreement and (solely in the case of Awards granted on or after February 13, 2008) to execute and deliver a release of claims, in each case as set forth in the preceding sentence, shall be mandatory and not subject to the discretion of the Committee. If a Grantee is required to, and does, execute and deliver such a non-competition agreement, and then violates the provisions thereof, all unexercised stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) will immediately terminate and will not be exercisable.

(iii) The nonforfeitability and exercisability of restricted stock that is a Service-Vesting Award (and any stock appreciation rights identified therewith) held by a Grantee who has a Termination of Employment on account of Retirement shall be determined under Section 12(f), and any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(e) *On Account of Termination of Employment After Age 60.* If a Grantee has a Termination of Employment after attaining age 60, other than a Termination of Employment for Cause or on account of death, Disability or Retirement, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) to the extent exercisable on the date of such Termination of Employment, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, at any time within one year after the Grantee's Termination of Employment or until the 15th anniversary of the Grant Date, if sooner. The nonforfeitability and exercisability of the Grantee's restricted stock (and any stock appreciation rights identified therewith) that is a Service-Vesting Award shall be determined under Section 12(f), and any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(f) *Special Circumstances; Disaffiliation.* (i) If a Grantee has a Termination of Employment under Special Circumstances, the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8 will receive an extension of time to exercise any unexercised stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) and accelerated vesting of these stock options and stock appreciation rights based on the following rules that incorporate age and years of Affiliate Service (in the case of a Termination of Employment without Cause) or Company Service (in other Special Circumstances):

<u>Age and Years of Company or Affiliate Service</u>	<u>Additional Vesting and Time to Exercise</u>
70 plus years	3 Years
60 to 69 years	2 Years
50 to 59 years	1 Year

provided, that the Committee or its delegatee may (and, in the event that the extension of time to exercise stock options or stock appreciation rights as set forth in this Section 12(f) would result in any of a Grantee's stock options or stock appreciation rights being exercisable at any time later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award), shall) require, in the case of a Termination of Employment without Cause, that the Grantee execute and deliver to the Company a non-competition agreement (in a form reasonably satisfactory to the Committee or such delegatee) in order to receive the foregoing treatment; further provided, that in the case of a Termination of Employment without Cause and with respect to any Award granted on or after February 13, 2008, the Committee shall require that, in order to receive the foregoing treatment, the Grantee execute and deliver to the Company a release of claims in a form specified by the Committee or its delegatee; and further provided, that in no event may a stock option or stock appreciation right be exercised after the 15th anniversary of the Grant Date. If a Grantee is required to, and does, execute and deliver such a non-competition agreement, and then violates the provisions thereof, all unexercised stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) will immediately terminate and will not be exercisable.

(ii) If a Grantee has a Termination of Employment because of a Disaffiliation, the provisions of this Section 12 (f)(ii) and Section 12(f)(iii) (and no other provision of this Section 12 that might otherwise apply) shall determine the consequences for such Grantee's Awards. In such a case, the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8 will be permitted to exercise any stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) that are unexercised and vested immediately before the Grantee's Termination of Employment for one year following the Grantee's Termination of Employment; provided, that with respect to any Award granted on or after February 13, 2008, the Committee shall require that, in order to receive the foregoing treatment, the Grantee execute and deliver to the Company a release of claims in a form specified by the Committee or its delegatee.

(iii) In addition, if a Grantee has a Termination of Employment because of Special Circumstances or Disaffiliation, the nonforfeitability and exercisability of restricted stock (and any stock appreciation rights identified therewith) held by the Grantee that is a Service-Vesting Award shall be determined under Section 12(f)(i), and any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(g) *Any Other Reason.* If a Grantee has a Termination of Employment for a reason other than those specified in this Section 12,

(i) the Grantee's shares of restricted stock (and any stock appreciation rights identified therewith), to the extent forfeitable on the date of the Grantee's termination of employment, shall be forfeited on such date;

(ii) any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) to the extent exercisable on the date of the Grantee's Termination of Employment, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, not later than the 90th day following the Grantee's termination of employment; provided, that in no event may a stock option or stock appreciation right be exercised after the 15th anniversary of the applicable Grant Date; and

(iii) any other Award that has not previously vested shall thereupon be forfeited.

(h) *Selection of Rule.* If a particular Grantee's Termination of Employment is covered by more than one of the foregoing rules, then except as specifically provided in Section 12(f)(ii), for each Award held by the Grantee, the applicable rule that is the most favorable to the Grantee shall apply; provided, that in the case of a Termination of Employment for Cause the Committee or its delegate shall have the sole and absolute discretion to determine whether the applicable Grantee is eligible for the treatment described in Section 12(b).

(i) *Committee Discretion.* Notwithstanding the foregoing, the Committee may determine that the consequences of a Termination of Employment or a Termination of Directorship for a particular Award will differ from those outlined above, either (i) in connection with the grant of the Award, or (ii) if the change is favorable to the Grantee, after it is granted; provided, that the Committee shall have no authority (x) after the Grant Date, to extend the time to exercise unexercised stock options or stock appreciation rights to any date later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award) or (y) otherwise to provide for terms of an Award that would cause any tax to become due under Section 409A of the Code.

13. Termination of Directorship

(a) *For Cause.* If a Termination of Directorship occurs for Cause, any unexercised stock option or other Awards shall thereupon terminate.

(b) *Retirement.* If a Termination of Directorship occurs because of Retirement, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), whether or not exercisable on the date of Retirement, may be exercised, in whole or in part, for a period of three years from the Grantee's Retirement, or until the end of its stated term, if sooner. Any other unvested Awards shall become vested and payable to the Grantee.

(c) *Death or Disability.* If Termination of Directorship occurs because of the death or Disability of the Grantee, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), whether or not exercisable on the date of such Termination of Directorship, may be exercised by the Grantee, a Permissible Transferee or by the Grantee's personal representative after the Grantee's death, in whole or in part, at any time within three years after such Termination of Directorship or until the 15th anniversary of the Grant Date, if sooner. Any other unvested Awards shall become vested and payable to the Grantee, a Permissible Transferee or by the Grantee's personal representative after the Grantee's death.

(d) *Other Termination.* If a Termination of Directorship occurs for any reason other than for Cause (as described in Section 13(a)) or the death, Disability or Retirement of a Grantee, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), to the extent exercisable on the date of the Termination of Directorship, may be exercised, in whole or in part, at any time within one year after the Termination of Directorship, or until the end of its stated term, if sooner. Any other Awards to the extent the Awards are unvested on the date of Termination of Directorship shall be forfeited and cancelled.

14. Equity Incentive Plans of Foreign Subsidiaries

The Committee may adopt or authorize any foreign Subsidiary to adopt a plan for granting Awards (a "Foreign Equity Incentive Plan"). All awards granted under such Foreign Equity Incentive Plans shall be treated as grants under this Plan. Such Foreign Equity Incentive Plans shall have such terms and provisions as the Committee permits not inconsistent with the provisions of this Plan.

15. Securities Law Matters

(a) If the Committee deems it necessary to comply with the Securities Act of 1933, as amended, and the regulations and rulings thereunder, the Committee may require a written investment intent representation by the Grantee and may require that a restrictive legend be affixed to certificates for shares of Stock.

(b) If, based upon the opinion of counsel for the Company, the Committee determines that the exercise or nonforfeiture of, or delivery of benefits pursuant to, any Award would violate any applicable provision of (i) U.S. federal, state or local securities law or (ii) the listing requirements of any national securities exchange on which are listed any of the Company's equity securities, then the Committee may postpone any such exercise, nonforfeiture or delivery, as the case may be, for not more than 30 days after the date on which such exercise, nonforfeiture or delivery would no longer violate such law or requirements; provided, that the Company shall use its best efforts to cause such exercise, nonforfeiture or delivery to comply with all such provisions at the earliest practicable date.

16. Funding

Benefits payable under this Plan to any person shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of, benefits under this Plan.

17. No Employment Rights

Neither the establishment of this Plan, nor the granting of any Award, shall be construed to (a) give any Grantee the right to remain employed by the Company or any of its Subsidiaries or to any benefits not specifically provided by this Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend, or terminate any of its employee benefit plans.

18. Rights as a Stockholder

A Grantee shall not, by reason of any Award (other than restricted stock), have any right as a stockholder of the Company with respect to the shares of Stock that may be deliverable upon exercise or payment of such Award until such shares have been delivered to him or her. Shares of restricted stock held by a Grantee or held in escrow by the Secretary of the Company shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in this Plan. The Committee, in its discretion, at the time of grant of restricted stock, may permit or require the payment of cash dividends thereon to be deferred, and, if the Committee so determines, reinvested in additional restricted stock to the extent shares are available under Section 3 or otherwise reinvested. Stock dividends, other non-cash dividends and distributions, and deferred cash dividends issued with respect to restricted stock shall be treated as additional shares of restricted stock that are subject to the same restrictions and other terms as apply to the shares with respect to which such dividends are issued. The Committee may, in its discretion, provide for crediting to and payment of interest on deferred cash dividends.

19. Nature of Payments

Any and all grants, payments of cash, or deliveries of shares of Stock hereunder shall constitute special incentive payments to the Grantee, and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purposes of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance or other employee benefit plan of the Company or any of its Subsidiaries or (b) any agreement between the Company or any Subsidiary, on the one hand, and the Grantee, on the other hand, except as such plan or agreement shall otherwise expressly provide.

20. Non-Uniform Determinations

Neither the Committee's nor the Board's determinations under this Plan need be uniform, and may be made by the Committee or the Board selectively among individuals who receive, or are eligible to receive, Awards (whether or not such individuals are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, to enter into non-uniform and selective Award Agreements as to (a) the identity of the Grantees, (b) the terms and provisions of Awards, and (c) the treatment, under Section 12, of Terminations of Employment.

21. Change in Control Provisions

Notwithstanding any other provision of this Plan to the contrary, the provisions of this Section 21 shall apply in the event of a Change in Control, unless otherwise determined by the Committee in connection with the grant of an Award (as reflected in the applicable Award Agreement).

(a) Upon a Change in Control, all then-outstanding stock options and stock appreciation rights shall become fully vested and exercisable, and all other then-outstanding Awards that are Service-Vesting Awards shall vest in full and be free of restrictions, except to the extent that another Award meeting the requirements of Section 21(b) (a "Replacement Award") is provided to the Grantee pursuant to Section 22 to replace such Award (the "Replaced Award"). The treatment of any other Awards shall be as determined by the Committee in connection with the grant thereof, as reflected in the applicable Award Agreement.

(b) An Award shall meet the conditions of this Section 21(b) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value at least equal to the value of the Replaced Award; (iii) it relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control; (iv) its terms and conditions comply with Section 23(c) below; and (v) its other terms and conditions are not less favorable to the Grantee than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 21(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion. Without limiting the generality of the foregoing, the Committee may determine the value of Awards and Replacement Awards that are stock options by reference to either their intrinsic value or their fair value.

(c) Upon a Termination of Employment or Termination of Directorship of a Grantee occurring in connection with or during the period of two years after such Change in Control, other than for Cause, (i) all Replacement Awards held by the Grantee shall become fully vested and (if applicable) exercisable and free of restrictions, and (ii) all stock options and stock appreciation rights held by the Grantee immediately before the Termination of Employment or Termination of Directorship that the Grantee held as of the date of the Change in Control or that constitute Replacement Awards shall remain exercisable for not less than two years following such termination or until the expiration of the stated term of such stock option, whichever period is shorter (provided, that if Section 12 or the applicable Award Agreement provides for a longer period of exercisability, that provision shall control).

22. Adjustments

The Committee shall (in the case of Corporate Transactions (as defined below), may) make such adjustments as it deems appropriate and equitable, in its discretion, to the following:

- a) the various numbers of shares of Stock referred to in the limitations imposed under Section 2(x) and Section 3;
- b) the number of shares of Stock covered by an outstanding Award;
- c) the Option Price of an outstanding stock option; and
- d) the Fair Market Value of Stock to be used to determine the amount of the benefit payable upon exercise of outstanding stock appreciation rights;

and such other adjustments to outstanding Awards as the Committee may determine to be appropriate and equitable, to reflect a stock dividend, stock split, reverse stock split, share combination, recapitalization, or similar event affecting the capital structure of the Company (each, a “Share Change”), or a merger, consolidation, acquisition of property or shares, separation, spinoff, reorganization, stock rights offering, liquidation, other distribution of cash or property (including an extraordinary cash dividend), Disaffiliation of a Subsidiary or similar event of or by the Company (each type of event described in this sentence other than a Share Change, a “Corporate Transaction”). Such adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, (ii) the substitution of other property (including, without limitation, other securities and securities of entities other than the Company that agree to such substitution) for the Stock available under this Plan and/or the Stock covered by outstanding Awards, and (iii) in connection with any Disaffiliation of a Subsidiary, arranging for the assumption, or replacement with new awards, of Awards held by Grantees employed by the affected Subsidiary by the Subsidiary or an entity that controls the Subsidiary following the Disaffiliation.

23. Qualified Performance-Based Awards

(a) The provisions of this Plan are intended to ensure that all stock options and stock appreciation rights granted hereunder to any Grantee who is or may be a “covered employee” (within the meaning of Section 162(m)(3) of the Code) at the time of exercise qualify for the Section 162(m) Exemption, and all such Awards shall therefore be considered Qualified Performance-Based Awards and this Plan shall be interpreted and operated consistent with that intention. The provisions referred to in the preceding sentence include without limitation the limitation on the total amount of such Awards to any Grantee set forth in Section 3 (b); the requirement of Section 4(a) that the Committee satisfy the requirements for being “outside directors” for purposes of the Section 162(m) Exemption; the limitations on the discretion of the Committee with respect to Qualified Performance-Based Awards; and the requirements of Sections 6(b) and 6(e) that the Option Price of stock options and the base price for determining the value of stock appreciation rights be not less than the Fair Market Value of the Stock on the Grant Date (which requirement constitutes the Qualified Performance Goal).

(b) The Committee may designate any Award (other than a stock option or stock appreciation right) as a Qualified Performance-Based Award upon grant, in each case based upon a determination that (i) the Grantee is or may be a “covered employee” (within the meaning of Section 162(m)(3) of the Code) with respect to such Award, and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption. The provisions of this Section 23 shall apply to all such Qualified Performance-Based Awards, notwithstanding any other provision of this Plan, other than Section 21.

(c) Each Qualified Performance-Based Award (other than a stock option or stock appreciation right) shall be earned, vested and payable (as applicable) only upon the achievement of one or more Qualified Performance Goals, together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate; provided that (i) the Committee may provide, either in connection with the grant thereof or by amendment thereafter, that achievement of such Performance Goals will be waived upon the death or Disability of the Grantee, and (ii) the provisions of Section 21 shall apply notwithstanding this sentence.

(d) Qualified Performance Goals may take the form of absolute goals or goals relative to the performance of one or more other companies comparable to the Company or of an index covering multiple companies. In establishing Qualified Performance Goals, the Committee may specify that there shall be excluded the effect of restructuring charges, discontinued operations, extraordinary items, cumulative effects of accounting changes, and other unusual or nonrecurring items, and asset impairment and the effect of foreign currency fluctuations, in each case as those terms are defined under generally accepted accounting principles and provided in each case that such excluded items are objectively determinable by reference to the Company's financial statements, notes to the Company's financial statements and/or management's discussion and analysis in the Company's financial statements.

(e) Except as specifically provided in Section 23(d), no Qualified Performance-Based Award may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under this Plan with respect to a Qualified Performance-Based Award under this Plan, in any manner to waive the achievement of the applicable Qualified Performance Goals or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption.

24. Amendment of this Plan

The Board may from time to time in its discretion amend this Plan or Awards, and the Committee may from time to time in its discretion amend Awards, without the approval of the stockholders of the Company, except (i) to the extent required under the listing requirements of any national securities exchange on which are listed any of the Company's equity securities and (ii) to the extent the amendment would result in the reduction of the Option Price of any Option or of the exercise price of any stock appreciation right. No such amendment shall adversely affect any previously-granted Award without the consent of the Grantee, except for (x) amendments made to comply with applicable law, stock exchange rules or accounting rules, and (y) amendments that do not materially decrease the value of such Awards. In addition, no such amendment may be made that would cause a Qualified Performance Based Award to cease to qualify for the Section 162(m) Exemption.

25. Termination of this Plan

This Plan shall terminate on the 10th anniversary of the Effective Date or at such earlier time as the Board may determine. Any termination, whether in whole or in part, shall not affect any Award then outstanding under this Plan.

26. No Illegal Transactions

This Plan and all Awards granted pursuant to it are subject to all laws and regulations of any governmental authority that may be applicable thereto; and, notwithstanding any provision of this Plan or any Award, Grantees shall not be entitled to exercise Awards or receive the benefits thereof and the Company shall not be obligated to deliver any Stock or pay any benefits to a Grantee if such exercise, delivery, receipt or payment of benefits would constitute a violation by the Grantee or the Company of any provision of any such law or regulation.

27. Controlling Law

The law of the State of Illinois, except its law with respect to choice of law, shall be controlling in all matters relating to this Plan.

28. Severability

If all or any part of this Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Plan not declared to be unlawful or invalid. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

29. Section 409A

No provision of this Plan shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code. No action, or failure to act, pursuant to this Section 29 or to any other provision of the Plan that references Section 409A of the Code shall subject the Committee, the Board or the Company to any claim, liability or expense, and neither the Committee, the Board nor the Company shall have any obligation to indemnify or otherwise protect any Grantee from the obligation to pay any taxes pursuant to Section 409A of the Code.

McDONALD'S CORPORATION
2009 CASH INCENTIVE PLAN

THE PLAN

McDonald's Corporation, a Delaware corporation (the "Company"), established the McDonald's Corporation 2009 Cash Incentive Plan (the "Plan") effective as of May 27, 2009. This Plan is subject to approval by the Company's stockholders at the May 27, 2009 Annual Meeting.

1. Purpose

The purpose of this Plan is to advance the interest of the Company by providing a means to pay performance-based short-term and long-term incentive cash compensation designed to qualify for the Section 162(m) Exemption (as defined below) to those employees upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. It is anticipated that the opportunity to earn such cash compensation will stimulate the efforts of such employees on behalf of the Company, strengthen their desire to continue in the service of the Company, and will prove attractive to promising new employees and will assist the Company in attracting such employees. It is intended that compensatory awards to employees based on equity securities of the Company will be granted under the Company's 2001 Omnibus Stock Ownership Plan and any successors thereto, rather than under this Plan.

2. Definitions

As used in this Plan and in connection with any Award, the terms set forth below shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

(a) "*Affiliate Service*" means a Participant's Company Service plus the Participant's aggregate number of years of employment with any Subsidiary during the period before it became a Subsidiary, unless the Committee determines otherwise in connection with an entity's becoming a Subsidiary.

(b) "*Award*" means the opportunity to earn cash compensation under this Plan, subject to the achievement of one or more Performance Goals and such other terms and conditions as the Committee may impose.

(c) "*Board*" means the Board of Directors of the Company.

(d) "*Cause*" means a Participant's commission of any act or acts involving dishonesty, fraud, illegality or moral turpitude.

(e) "*Change in Control*" means the happening of any of the following events:

(i) the acquisition by any Person of "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of either (A) the then-outstanding shares of Stock ("Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section 2(e)(i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (4) any acquisition by any entity pursuant to a transaction that complies with Sections 2(e)(iii)(A), (B) and (C); or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company and/or any entity controlled by the Company, or a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any entity controlled by the Company (each, a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(f) “Code” means the Internal Revenue Code of 1986, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the Code shall include references to successor provisions.

(g) “Committee” has the meaning specified in Section 3(a).

(h) “Company” has the meaning specified in the first paragraph.

(i) “Company Service” means the Participant’s aggregate number of years of employment with the Company and its Subsidiaries during periods when those entities were Subsidiaries.

(j) “Disability” means a “disability” within the meaning of the Company’s Profit Sharing and Savings Plan, as amended from time to time.

(k) “Disaffiliation” of a Subsidiary means the Subsidiary’s ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary).

(l) “Effective Date” means May 27, 2009.

(m) “Job Loss” means a Termination of Employment resulting from a corporate restructuring or reorganization, job restructuring, reduction in force, outsourcing or replacement of jobs by technology.

(n) “Participant” means any employee of the Company or its Subsidiaries who has been granted an Award.

(o) “Performance Goal” means any of the following measures as applied to the Company as a whole or to any Subsidiary, division or other unit of the Company: revenue; operating income; net income; basic or diluted earnings per share; return on revenue; return on assets; return on equity; return on total capital; or total shareholder return.

(p) The “Performance Period” for an Award means the period of time for the measurement of the extent to which the applicable Performance Goals are attained.

(q) “Plan” means this McDonald’s Corporation 2009 Cash Incentive Plan.

(r) “Retirement” means a Termination of Employment any time after attaining either (i) age 60 with at least 20 years of Affiliate Service, or (ii) combined age and years of Affiliate Service equal to or greater than 70, other than a Termination of Employment for Cause.

(s) “Section 162(m) Exemption” means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(t) “*Special Circumstances*” for a Termination of Employment of a Participant means (i) Job Loss or (ii) the Participant becomes an owner-operator of a McDonald’s restaurant in connection with the Termination of Employment.

(u) “*Subsidiary*” means any entity in which the Company directly or through intervening subsidiaries owns 25% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 25% or more interest in the capital and profits.

(v) “*Termination of Employment*” of a Participant means the termination of the Participant’s employment with the Company and the Subsidiaries. A Participant employed by a Subsidiary also shall be deemed to incur a Termination of Employment if there occurs a Disaffiliation of that Subsidiary, unless either (i) the Participant is, immediately after the Disaffiliation, an employee of the Company or one of the remaining Subsidiaries, or (ii) in connection with the Disaffiliation, the Awards held by the Participant are assumed, or replaced with new awards, by the former Subsidiary or an entity that controls the former Subsidiary following the Disaffiliation.

3. Administration

(a) This Plan shall be administered by a committee appointed by the Board (the “Committee”). All members of the Committee shall be “outside directors” (as defined or interpreted for purposes of the Section 162(m) Exemption). The Committee shall have full and final authority, in its discretion, but subject to the express provisions of this Plan, to establish the terms and conditions of Awards, to determine the extent to which cash payments are actually earned pursuant to Awards and the amounts to be paid, and to interpret this Plan and to make all determinations necessary or advisable for the administration of this Plan. The Committee may delegate any or all of its administrative duties and responsibilities under this Plan to any individual or group of individuals it deems appropriate, but no such delegation shall be made to the extent it would cause an Award not to qualify for the Section 162(m) Exemption.

(b) The determination of the Committee on all matters relating to this Plan and all Awards shall be made in its sole discretion, and shall be conclusive and final. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award.

4. Eligibility; Maximum Awards

Awards may be granted to any employee of the Company or any of its domestic Subsidiaries, and to any employee, officer or director of any of the Company’s foreign Subsidiaries. The maximum amount of cash that may be payable with respect to any one Award shall be \$8 million times the number of years and fractions thereof in the applicable Performance Period. The maximum number of Performance Periods that end in any single calendar year for which any one Participant shall be eligible to earn Awards shall be three.

5. Establishment of Awards

(a) *Basic Terms of Awards.* In connection with the grant of each Award, the Committee shall, within the time period required to qualify for the Section 162(m) Exemption, (i) determine the Performance Goal(s) and Performance Period applicable to such Award, (ii) establish the formula for determining the amounts payable based upon achievement of the applicable Performance Goal, (iii) determine the consequences for the Award of the Participant’s Termination of Employment for various reasons or the Participant’s demotion or promotion during the Performance Period, (iv) specify the consequences for the Award of the occurrence of a Change in Control during the Performance Period and (v) establish such other terms and conditions for the Award as it may deem appropriate.

(b) Performance Goals may take the form of absolute goals or goals relative to the performance of one or more other companies comparable to the Company or of an index covering multiple companies. In establishing Performance Goals, the Committee may specify that there shall be excluded the effect of restructuring charges, discontinued operations, extraordinary items, cumulative effects of accounting changes, and other unusual or nonrecurring items, and asset impairment and the effect of foreign currency fluctuations, in each case as those terms are defined under generally accepted accounting principles and provided in each case that such excluded items are objectively determinable by reference to the Company’s financial statements, notes to the Company’s financial statements and/or management’s discussion and analysis in the Company’s financial statements.

(c) A cash payment may be made to a Participant pursuant to an Award only upon the achievement of the applicable Performance Goal(s), except that the Committee may provide, either in connection with the grant thereof or by amendment thereafter, that achievement of such Performance Goals will be waived in whole or in part upon the death or Disability of the Participant, in the event of a Change in Control, or such other event as the Committee may deem appropriate. Notwithstanding the foregoing, however, the Committee may not exercise any discretionary authority it may otherwise have under this Plan with respect to an Award, in any

manner to waive the achievement of the applicable Performance Goals or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Award to cease to qualify for the Section 162(m) Exemption. Any payment made to a Participant pursuant to an Award shall be made no later than March 15 of the calendar year following the last day of the applicable Performance Period.

6. Change in Control

Unless otherwise determined by the Committee in connection with the grant of an Award and except as provided in the following sentence, upon a Change in Control during the Performance Period for any Award, the Participant shall be entitled to receive, promptly following the Change in Control (and in any event within 30 days thereafter), a payment with respect thereto equal to (i) the amount that would be payable with respect to such Award, if the applicable Performance Goals for the Performance Period were achieved at the level achieved during the portion of the Performance Period that precedes the Change in Control times (ii) a fraction, the numerator of which is the number of days in the portion of the Performance Period that precedes the Change in Control and the denominator of which is the total number of days in the Performance Period; provided, that the Participant shall forfeit his or her right to receive such payment if he or she experiences a Termination of Employment for Cause before the payment is made. The Committee shall provide in connection with the grant of Awards that the timing of any payments to which a Participant becomes entitled in connection with a Change in Control shall comply with Section 409A of the Code. The amount paid with respect to any Award under this Section 6 shall offset the amount (if any) that becomes payable with respect thereto following completion of the Performance Period of the Award.

7. Non-Transferability

Awards granted hereunder shall not be assignable or transferable other than by will or the laws of descent and distribution.

8. Withholding Taxes

The Company may withhold or cause to be withheld from any or all cash payments made under this Plan such amounts as are necessary to satisfy all U.S. federal, state and local withholding tax requirements related thereto.

9. Funding

Benefits payable under this Plan to any person shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of, benefits under this Plan.

10. No Employment Rights

Neither the establishment of this Plan, nor the granting of any Award, shall be construed to (a) give any Participant the right to remain employed by the Company or any of its Subsidiaries or to any benefits not specifically provided by this Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend, or terminate any of its employee benefit plans.

11. Nature of Payments

Any and all grants of Awards and payments of cash hereunder shall constitute special incentive payments to the Participant, other than payments pursuant to Awards with Performance Periods of one year or less, and shall not be taken into account in computing the amount of salary or compensation of the Participant for the purposes of determining any pension, retirement, death or other benefits under (a) any qualified, non-qualified or supplemental pension, retirement or profit-sharing plan of the Company or any of its Subsidiaries, (b) any bonus, life insurance or other employee benefit plan of the Company or any of its Subsidiaries, or (c) any agreement between the Company or any Subsidiary, on the one hand, and the Participant, on the other hand, except as such plan or agreement shall otherwise expressly provide. Without limiting the generality of the foregoing, payments of cash hereunder may be deferred under any such plan if and to the extent such plan so provides.

12. Non-Uniform Determinations

The Committee's determinations under this Plan need not be uniform, and may be made by the Committee selectively among individuals who receive, or are eligible to receive, Awards (whether or not such individuals are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, to enter into non-uniform and selective Award Agreements as to (a) the identity of the Participants, (b) the terms and provisions of Awards, and (c) the treatment of Terminations of Employment.

13. Amendment and Termination of this Plan and Awards

The Board may from time to time in its discretion amend or modify this Plan or Awards or terminate the Plan without the approval of the stockholders of the Company; provided that except as provided in the next sentence, no such amendment or termination shall adversely affect any previously-granted Award without the consent of the Participant. Notwithstanding the foregoing, the Board may from time to time amend this Plan or Awards, and the Committee may from time to time amend Awards, without the consent of affected Participants, (i) to comply with applicable law, stock exchange rules or accounting rules, and (ii) to make changes that do not materially decrease the value of such Awards. In no event may any Award be amended in any manner that would cause it to cease to qualify for the Section 162(m) Exemption. The material terms of the performance goals under the Plan (as defined or interpreted for purposes of the Section 162(m) Exemption) shall be submitted to the Company's shareholders for reapproval as required, and at such times as are required, for Awards to qualify for the Section 162(m) Exemption.

14. Controlling Law

The law of the State of Illinois, except its law with respect to choice of law, shall be controlling in all matters relating to this Plan.

DESCRIPTION OF RESTRICTED STOCK UNITS GRANTED TO ANDREW J. MCKENNA

In recognition of his responsibilities as non-executive Chairman and upon the recommendation of the Governance Committee of the Board of Directors (“Board”) of McDonald’s Corporation (the “Company”), a Special Committee of the Board awarded Andrew J. McKenna a grant of 14,388 restricted stock units (“RSUs”) on June 9, 2009, pursuant to authority delegated by the Board. Each RSU represents the right to receive, on the settlement date, one share of the Company’s common stock or, at the Company’s discretion, cash equal to the fair market value thereof. The RSUs will be settled on the later of (i) one year from the date of grant or (ii) Mr. McKenna’s retirement from the Board. The RSUs will immediately be settled upon Mr. McKenna’s death or if his service on the Board terminates because he becomes disabled.

Mr. McKenna also received previous grants of RSUs, on the same terms as described herein, as follows: 14,222 RSUs in 2008, 17,000 RSUs in 2007, 15,000 RSUs in 2006 and 10,000 RSUs in 2005. The prior grants are disclosed in Exhibit 10(q) to Forms 10-Q filed with the Securities and Exchange Commission on August 6, 2008 and August 6, 2007, respectively, and on Forms 8-K filed with the Securities and Exchange Commission on May 31, 2006 and May 16, 2005, respectively.

McDONALD'S CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Dollars in Millions

	Six Months Ended June 30,		Years Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
Earnings available for fixed charges							
- Income from continuing operations before provision for income taxes and cumulative effect of accounting changes	\$2,964.4	\$3,062.0	\$6,158.0	\$3,572.1 ⁽¹⁾	\$4,154.4 ⁽²⁾	\$3,660.2	\$3,217.0 ⁽³⁾
- Noncontrolling interest expense in operating results of majority-owned subsidiaries, including fixed charges related to redeemable preferred stock, less equity in undistributed operating results of less than 50%-owned affiliates	2.3	4.3	10.7	7.2	5.5	1.2	4.4
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	19.3	15.0	30.0	22.4	5.9	(3.5)	13.1
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	147.2	160.7	321.3	312.8	304.0	292.8	272.2
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	256.6	292.1	556.8	442.7	437.4	392.2	394.2
	<u>\$3,389.8</u>	<u>\$3,534.1</u>	<u>\$7,076.8</u>	<u>\$4,357.2</u>	<u>\$4,907.2</u>	<u>\$4,342.9</u>	<u>\$3,900.9</u>
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	\$ 147.2	\$ 160.7	\$ 321.3	\$ 312.8	\$ 304.0	\$ 292.8	\$ 272.2
- Interest expense, amortization of debt discount and issuance costs, and fixed charges related to redeemable preferred stock*	247.8	283.5	539.7	425.9	418.4	373.4	375.6
- Capitalized interest*	4.6	3.8	12.5	7.0	5.5	5.0	4.1
	<u>\$ 399.6</u>	<u>\$ 448.0</u>	<u>\$ 873.5</u>	<u>\$ 745.7</u>	<u>\$ 727.9</u>	<u>\$ 671.2</u>	<u>\$ 651.9</u>
Ratio of earnings to fixed charges	<u>8.48</u>	<u>7.89</u>	<u>8.10</u>	<u>5.84</u>	<u>6.74</u>	<u>6.47</u>	<u>5.98</u>

* Includes amounts of the Registrant and its majority-owned subsidiaries, and one-half of the amounts of 50%-owned affiliates. The Company records interest expense on unrecognized tax benefits in the provision for income taxes. This interest is not included in the computation of fixed charges.

- (1) Includes pretax charges of \$1.7 billion primarily related to impairment in connection with the Company's sale of Latam to a developmental licensee.
- (2) Includes pretax charges of \$134.2 million primarily related to impairment.
- (3) Includes pretax charges of \$202.1 million consisting of \$130.5 million related to impairment and \$120.9 million related to the correction in the Company's lease accounting practices and policies as well as a \$49.3 million gain relating to the sale of the Company's interest in a U.S. real estate partnership.

Exhibit 31.1. Rule 13a-14(a) Certification of Chief Executive Officer

I, James A. Skinner, Vice Chairman and Chief Executive Officer of McDonald's Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

Exhibit 31.2. Rule 13a-14(a) Certification of Chief Financial Officer

I, Peter J. Bensen, Corporate Executive Vice President and Chief Financial Officer of McDonald's Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and Chief
Financial Officer*

**Exhibit 32.1. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2009

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

**Exhibit 32.2. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2009

/s/ Peter J. Bensen

Peter J. Bensen

Corporate Executive Vice President and
Chief Financial Officer